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THE UNIVERSITY OF ALBERTA

SIR ALEXANDER T. GALT AND THE NORTHWEST: A CASE STUDY OF ENTREPRENEURIALISM ON THE FRONTIER

by

© A. A. den Otter

A THESIS
SUBMITTED TO THE FACULTY OF GRADUATE STUDIES AND RESEARCH
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THE UNIVERSITY OF ALBERTA

FACULTY OF GRADUATE STUDIES AND RESEARCH

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ABSTRACT

Sir Alexander Tilloch Galt, who had drawn attention to the rich natural resources of the Northwest in his plea for a federated British North America, played an important role in the development of western Canada. For the settlement of the prairies was achieved not only through the onerous toil of simple pioneer farmers but also required the persistent efforts of sophisticated entrepreneurs who gathered the funds to recruit settlers, build railways and establish marketing facilities. While Galt's attempt as High Commissioner to induce large-scale emigration to Canada failed, his activities as a private promoter of southern Alberta resulted in the development of coal mining, the construction of two railways, and the beginning of irrigation. Using his influence with Conservative politicians, who were very anxious to stimulate resource exploitation, Galt procured generous government subsidies to build two branch lines to ship his coal to market and in so doing initiated important and favourable changes in the Dominion's land policy. Armed with the million acre land grant, he convinced friends in London to finance the schemes which led to the settlement of a large portion of southern Alberta and spawned the town of Lethbridge, whose economy for many years depended upon the company's payrolls.

Within this mining and railway community, local merchants imitated Galt's entrepreneurial dealings and, much as he had worked to extend the control of London and Montreal financiers to Lethbridge, they

strove to expand their commercial influence over the town's hinterland. The local business establishment, aided by company officials and professionals, also envisaged a great industrial metropolis based upon the seemingly limitless supply of energy, a dream not realized. Lastly, they sought to reconstruct on the prairies an idealized conception of central Canadian urban life, but the fluctuating operation of the collieries produced instead a transient, male-dominated society which was, in fact, one of the most unruly in western Canada.

The social welfare of the workers was of little concern to Sir Alexander who operated according to contemporary business principles and for maximum profits; he, therefore, regarded his workers as little more than parts in the economic system and believed his responsibility ended with the creation of jobs. In his applications for government assistance, he always stressed that the exploitation of western resources was for the benefit of all Canadians. Never did he mention, however, his expectations of high returns for his services and the risks he and his colleagues were prepared to take. To be sure, the attraction of capital to the Northwest was a difficult task, despite government subsidies, because of the Territories' isolation, the periodic economic depressions and competition with the United States. Galt encountered many serious obstacles which caused considerable personal anxiety, and only his perseverance, ingenuity, persuasive power and political influence eventually brought success. While Galt realized handsome profits, he, unlike many other entrepreneurs who squandered their grants, satisfied the government's desire for western economic development.

ACKNOWLEDGEMENTS

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A special thanks is extended to Professor L.H. Thomas who helped me define this topic and who coped admirably with the difficulties of supervising a thesis by mail. Alexander Johnston, Lethbridge's local historian, furnished much background material and Dr. W.J.C. Cherwinski, who proofread the entire manuscript, made many valuable suggestions. My typist, Susan Snook, deserves credit for untangling the many errors in the text and footnotes. I personally remain responsible for any errors of omission and commission however. Mr. W.J. Hewitt of Memorial's Educational Television Centre prepared the maps. I also want to thank my wife, who not only typed several drafts but made many sacrifices to give me the time to write the thesis.

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LIST OF ABBREVIATIONS

A.R.&C.Co.	Alberta Railway and Coal Company
AR&I	Alberta Railway and Irrigation Company
CPR	Canadian Pacific Railway
GAI	Glenbow-Alberta Institute
LN	*The Lethbridge News*
N.W.C.&N.Co.	Northwestern Coal and Navigation Company
PAC	Public Archives of Canada
RCMP	Royal Canadian Mounted Police

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PART ONE

CHAPTER ONE

BUSINESS AND ENTREPRENEURSHIP

The settlement of the Canadian prairies was achieved not only by the onerous toil of simple pioneer farmers but also by the persistent efforts of sophisticated entrepreneurs who founded large corporations which exploited western Canada's natural resources for profit and in the process contributed to its economic expansion. In the case of Lethbridge, Alberta, and its economic hinterland, a forceful and shrewd financier, Sir Alexander Tilloch Galt, created a mining and railway complex which in turn spawned a vast land and irrigation project. By siphoning money from the financial centers of London, New York and Montreal, he laid the basis for an industrial and agricultural economy. Promoters like Galt played a very important role in western Canadian development. The traditional view of the frontier has only limited application for southern Alberta because a few years after the notorious whiskey traders were expelled from the Canadian plains by the North West Mounted Police, the large ranching corporations moved in, followed by railway and mining companies.[1] While contemporary

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[1] David H. Breen, "The Canadian West and the Ranching Frontier, 1875-1922" (unpublished Ph.D. dissertation, University of Alberta, 1973), describes the large corporations managed by a wealthy and politically powerful élite which dominated the ranching industry in southern Alberta. For the American experience a similar point is made by Robert V. Hine, The American West: An Interpretive History (Boston: Little, Brown and Company, 1973).

literature and some historians created the myth of the individualistic, self-reliant westerner struggling to overcome a hostile environment, in reality the federal government placed the bulk of the Northwest's resources in the hands of a few large corporations.[2] Before the idealized stalwart yeoman farmer could begin his labour of taming the virgin prairie soil, vast sums of money were invested by big private concerns. Sir Alexander T. Galt, for one, was given some generous concessions and he used them to establish a number of companies which ultimately opened up a large segment of southern Alberta.

Is a historical investigation of one relatively small company justifiable? According to T.S. Ashton, case studies of corporations and their leaders can be valuable because "it is in the individual firm rather than in wider organizations that we observe the operations of economic forces at first-hand, with little distortion by politics and ideologies."[3] At first glance it appears that Ashton has presented an acceptable justification for singling out the Galt concerns as a case study of a cluster of Canadian companies, financed in Britain and at work in western Canada. His concept of business history falls in line with that of N.S.B. Gras, the founder of Harvard's School of Business, who defined business history as "the study of the development of business administration."[4] Upon deeper reflection, however, it becomes evident that this view of business history is rather narrow because Ashton, as well as Gras, remove the company from its social context. In the case of the Galt concerns, which were relatively small, a look at only the historical development of their structure and management could prove to be parochial, perhaps even antiquarian.[5] While such an examination might reveal something of the intimate relationship among promoters, financiers and governments, it would add little to the knowledge of the development of the Northwest. A study of the internal arrangements, furthermore, would say very little about the impact of these corporations on western Canadian society.

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[2] A total of 56,087,072 acres of land were authorized by Parliament for railway subsidy lands. Even though 17,531,104 acres reverted to the Crown because certain railways were not constructed, a large segment of the fertile lands in western Canada belonged to railway companies. James B. Hedges, The Federal Railway Land Subsidy Policy of Canada (Cambridge, Massachusetts: Harvard University Press, 1934), pp. 139-140. In addition the Hudson's Bay Company was given 1/20th of the fertile prairie lands.

[3] T.S. Ashton, "Business History," Business History, I (December, 1958), p. 2.

A more serious problem with Ashton's view is that he implies that business affairs can be seen apart from "politics and ideologies." This is not a realistic view. As Arthur H. Cole, the founder of Harvard's Research Center in Entrepreneurial History, points out, a business unit is part of a society.[6] It is influenced by this society and it in turn modifies its environment. The scope of a study on the Galt companies must be broadened to include its surroundings. It must ask what factors determined the policies of the companies and what were the consequences of their activities.[7] The answers to these questions will provide greater insight into the development process of western Canada. As Ralph W. Hidy writes, "Only when we have more local and regional studies [of business firms] to work with will our generalizations have real meaning and be related explicitly to the activities of 'the people' as a whole."[8]

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[4] N.S.B. Gras, "Why Study Business History?," The Canadian Journal of Economics and Political Science, IV (August, 1938), p. 320.

[5] It is not argued here that business history has no value. On the contrary, there is a real need for historical studies of businesses in Canada. See Frederick H. Armstrong, "Canadian Business History: Approaches and Publications to 1970," Canadian Business History: Selected Studies, 1497-1971, edited by David S. Macmillan (Toronto: McClelland and Stewart Limited, 1972), p. 1.

[6] Arthur H. Cole, Business Enterprise in its Social Setting (Cambridge, Massachusetts: Harvard University Press, 1959).

A history of a business enterprise should not isolate the unit from its surroundings but must look at the forces which acted upon the decisions in the boardrooms and how these judgments affected the environment. A business endeavour thrives only under favourable economic conditions, congenial government attitudes and a beneficial climate of social opinion which applauds growth and enterprise. In turn the company unleashes a complex economic and social reaction. Galt's coal mines, for example, needed markets and easy accessibility to the resource. The output depended upon the productivity of the workers, geographical factors, and government regulations. Even the weather played its part: a warm winter decreased domestic consumption in coal; a poor crop year lessened rail traffic and subsequently lowered coal sales. Policy announcements by the government, the whims of consumers, the end of an economic trend all brought pressures to bear upon the decision makers and the investors they represented. At the same time, the collieries produced the fuel to heat the homes of settlers and power the locomotives of regional and transcontinental trains. They provided winter employment for idle farmers, utilized a complex of supportive businesses, such as rail makers, explosives, tools and machinery manufacturers, and created a vast timber industry. The mines spawned a town whose economy depended upon the company's payroll so that a corporate decision to cut or increase production reverberated throughout the entire community. The establishment of the collieries forced the government to draft regulations which in turn controlled mining activities. An inquiry into the Galt concerns, therefore, must ask how they came to be, what factors determined their growth and what effects they had on their surroundings.

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[7] B.E. Supple, "The Uses of Business History," Business History, IV (June, 1961), p. 82.

[8] Ralph W. Hidy, "Business History: Present Status and Future Needs," Business History Review, XLIV (Winter, 1970), p. 495.

A case history of one company and its impact upon society has some validity but its field can be enlarged still further to fill a gap in present historical and sociological studies on company towns. While Rex Lucas' *Minetown, Milltown, Railtown* focusses attention upon the workers and the results of corporate policies upon its employees, the entire study lacks human character.[9] Like many other studies it neglects the human aspect of business firms and fails to realize that no matter how impersonal the company appears, it is still made up of living men and women.[10] The failure to consider the special problems faced by the corporation is even more evident in the history of the labour movement in North American coal mines.[11] While such books may describe general economic conditions and company policies, they pay little attention to the problems faced by management. These studies very successfully portray the plight of struggling workers confronted by huge and seemingly impersonal corporations but fail to picture a manager begging for funds from a reluctant and skeptical banker. Overemphasis upon the workers leads to an unrepresentative view of society for it tends to split the community into 'we' and impersonal 'they' factions. Perhaps such a view accurately represents a myth in the minds of the workers but it fails to recognize that the company is not an inanimate machine but a beehive of living persons with their sets of problems and anxieties. Michael Bliss has begun to alter this artificial view of the business world by demonstrating that the nineteenth century businessman worried about the everday state of his endeavours. Like the worker, the entrepreneur "perceived himself to

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[9] Rex Lucas, Minetown, Milltown, Railtown: Life in Canadian Communities of Single Industry (Toronto: University of Toronto Press, 1971).

[10] See Charles H. Coates and Roland J. Pellegrin, "Absentee-owned Corporations and Community Power Structure," The American Journal of Sociology, LXI (March, 1956), pp. 413-19; Herman R. Lantz, People of Coal Town (New York: Columbia University Press, 1958); Nelson W. Polsby, "Power in Middletown: Fact and Value in Community Research," The Canadian Journal of Economics and Political

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Science, XXVI (November, 1960), pp. 592-603; Duane A. Smith, Rocky Mountain Mining Camps, The Urban Frontier (Bloomington: Indiana University Press, 1967); and Donald Willmott, Industry Comes to a Prairie Town (Saskatoon: Centre for Community Studies, 1962). An article by Gilbert A. Stelter, "The Origins of a Company Town: Sudbury in the Nineteenth Century," Laurentian University Review, III (February, 1971), pp. 3-37, does provide a good background of Samuel Ritchie the founder of the mining industry in Sudbury. Ritchie, like Galt, toured Europe, Britain and the United States in search of financial backing for his mining firm.

[11] See for examples Emil Bjarnason, "Collective Bargaining in the Coal Mining Industry of Canada, 1825-1938" (unpublished M.A. dissertation, Queen's University, 1965); Melvin Dubofsky, "The Origins of Western Working Class Radicalism, 1890-1905," Labour History, VII (Spring, 1966), pp. 131-54; Stuart Marshall Jamieson, Times of Trouble: Labour Unrest and Industrial Conflict in Canada, 1900-1966, Task Force on Labour Relations In Canada, Study No. 22 (Ottawa: Information Canada, 1971); Robert Wayne Smith, The Coeur d'Alene Mining War of 1892: A Case Study of an Industrial Dispute (Gloucester, Massachusetts: Peter Smith, 1968).

to be operating in a hostile environment," and he worried constantly because "open competition in a dynamic society makes all its participants anxious."[12] Although his employees might never believe him, even a highly successful promoter like Rockefeller confessed to have many days of worry.[13] To properly assess the business concern and its role in the community, it must be personalized. It is important to show that the corporation was led and managed by real people who had to overcome certain, often times difficult, obstacles.

To humanize the business firm requires a close look at the persons involved in its establishment and management. In this case study the chief individuals are Sir Alexander Tilloch Galt and his eldest son Elliot Torrance, two powerful individuals who carefully spun an intricate web of business and government associations. Using their wide-ranging connections in financial and political circles, they established a diversity of corporations based on favourable mining concessions and generous land grants. Their complex network of collieries, railways and irrigation canals profoundly affected the natural and social environment of southern Alberta but their creation did not come without struggle, hard work and deep anxieties. Only through their persistence and resilience were the Galt's eventually successful; they were willing to assume the risks, to revise their goals when necessary, to adapt to changing conditions and to exploit new opportunities. In these actions they were innovative and in the broadest sense entrepreneurs.

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[12] Michael Bliss, "'Dyspepsia of the Mind': The Canadian Businessman and his Enemies," in Canadian Business History: Selected Studies, 1497-1971, pp. 190-91. See also his A Living Profit: Studies in the Social History of Canadian Business, 1883-1911 (Toronto: McClelland and Stewart Limited, 1974).

[13] At one time Rockefeller wondered how he had survived forty years of hectic business life. He wrote, "You know how often I had not an unbroken night's sleep worrying about [how] it was all coming out. All the fortune I have made has not served to compensate for the anxiety of that period. Work by day and worry by night, week in week out, month after month. If I had foreseen the future I doubt whether I would have had the courage to go on." Cited in Edward Chase Kirkland, Dream and Thought in the Business Community, 1860-1900 (Chicago: Quadrangle Paperback, 1964), p. 9.

A proper definition of the word entrepreneur does present some difficulties because the term conjures up the popular images of dishonest speculators, deceptive tycoons and grasping magnates frantically amassing a fortune at the expense of the workers. While North America had its robber barons, entrepreneurship must not be characterized by their behavior. The problem of defining the word properly has not occupied Canadian historians with the exception of Hugh Aitken.[14] Their American counterparts, however, have expended considerable effort on the definition of entrepreneurship and its role in history. Arthur H. Cole has emphasized the functional aspect of the entrepreneur and his definition includes active words like managing, innovating and inspiring. His entrepreneur is the central figure in economic history because he, as an innovator, makes business decisions which steer a thriving business firm into a certain direction.[15] This concept of innovation is stressed even more by Joseph A. Schumpeter. He argues that economic processes are not automatic but the result of conscious desires, deliberate policies and methodical guidance. The rate and direction of economic development is determined by this active process of coordination and leadership. When the economy or other factors present new conditions or different avenues of opportunity, the businessman must recognize the change in conditions and react. If the response is not traditional, that is, outside normal practice, the reaction is creative. To Schumpeter the study of entrepreneurship should be limited to an examination of the creative response in economic history. The definition, then, narrowly focusses on innovation, the doing of new things or the doing of ordinary things in a new way.[16] It is a useful criterion but perhaps too narrow because it has only two categories — creative and non-creative — instead of Cole's broad spectrum ranging from bold innovation to mere routine management. In either case, both scholars emphasize the aspects of novelty which sets the entrepreneur apart from the average businessman.

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[14] Hugh G.J. Aitken, The Welland Canal Company: A Study in Canadian Enterprise (Cambridge, Massachusetts: Harvard University Press, 1954.

[15] Arthur H. Cole, Business Enterprise. See also his "An Approach to the Study of Entrepreneurship," in Explorations in Enterprise, ed. by Hugh C.J. Aitken (Cambridge, Massachusetts: Harvard University Press, 1965), pp. 30-44.

The entrepreneur, therefore, is a person who understands a task which is out of the ordinary. He is more than just a manager of routine affairs but a leader, an initiator and policy maker. He is more than a salaried official but risks his own capital or has access to a source of funds. He is more than a financier, however, because he is actively involved in the executive function of the concern; he is more than an investor because he makes policy decisions. The entrepreneur probably fulfills all these functions.[17] An entrepreneur is an individual whose extraordinary insight into business affairs enables him to recognize new opportunities, whose exceptional adaptability allows him to alter direction when circumstances warrant, whose willingness to assume financial risks inspires investors, and whose exceptional organizational ability launches a new enterprise.

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[16] Joseph A. Schumpeter, "Economic Theory and Entrepeneurial History," in Explorations in Enterprise, pp. 45-64.

[17] J.W. Gough, The Rise of the Entrepreneur (London: B.T. Batsford, Limited, 1969), pp. 9-12.

The activities of entrepreneurs too must be seen in the context of their society. Different elements impinge upon their actions in varying degrees and at various times; these factors mould the entrepreneurial character and condition their decisions. Entrepreneurs must confront stockholders, workers, governments and competitors. Not only do present factors influence policies but so does the past. Decisions, no matter how radical or innovative, are not divorced from the past. the purely economic situation, while very important, is not the sole determiner of entrepreneurial action: businessmen are not mere agents of economic forces, not just economic men seeking only profits, but they are also products of the culture in which they matured and now operate. Thus at one specific moment in time all entrepreneurs possess a complex of ideas, not necessarily consciously expressed, but part of their total social experience.[18] These concepts or cultural themes modify the entrepreneurs' choices and affect the institutions they build.

In 1880, when Sir Alexander Tilloch Galt decided that the coal deposits at Lethbridge were worthy of exploitation, a lifetime of business and political activities within the cultural milieu of nineteenth century Canada helped him to reach this resolution.

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[18] Cole, Business Enterprise, pp. 15-27.

Economic considerations played a very important but not exclusive role because Galt, like many of his Canadian associates, had a vision of a continental nation. He recognized the opportunity to make a profit and also to be a party to western development. A brief look at Galt's career prior to 1880 will show how his background influenced his efforts in southern Alberta.

CHAPTER TWO

THE LIFE AND TIMES OF AN ENTREPRENEUR

I. Galt as Young Entrepreneur

Alexander Tilloch Galt was born in Chelsea, London, on September 6, 1817 to John and Elizabeth Galt.[1] Two more boys, John and Thomas, were born at earlier dates. John Galt was a lawyer and author. In 1824, as the secretary and resident manager for the Canada Company, Galt acquired at a very good price a vast tract of land near Lake Huron in Upper Canada. The project prospered under Galt's direction,[2] but he displeased the Lieutenant-Governor of Upper Canada, Sir Peregrine Maitland, who suspected him of collaboration with William Lyon Mackenzie. In 1829 Galt was dismissed from the company on the grounds of political interference and financial extravagence; he returned to Britain badly in debt and spent some time in a debtor's prison. The experience of failure must have had a profound effect upon his sons, especially Alexander who retained throughout his life a deep fear of bankruptcy. While the elder Galt played some part in the formation of the British American Land Company, frequent illnesses greatly curtailed his activities; it was his son, Alexander, who became instrumental in the land company's success.

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[1] Virtually all the biographical information for this chapter has been taken from Oscar Douglas Skelton, Life and Times of Sir Alexander Tilloch Galt, Carleton Library, No. 26 (Toronto: McClelland and Stewart, 1966, org. ed., 1920). Citations will be made only to interpretive statements made by Skelton or to indicate other sources of information.

[2] Clarence G. Karr, "The Two Sides of John Galt," Ontario History, LIX (June, 1967), pp. 93-99, questions the originality of John Galt's policies and argues that he borrowed many of his ideas from various American and colonial land companies.

In 1835, at the age of seventeen, Alexander Tilloch Galt travelled to Canada as an employee of the British American Land Company which was developing over a million acres of land around Sherbrooke in the Eastern Townships of Lower Canada. To the disappointment of the directors and shareholders, land development had not proven to be an easy road to wealth. Political unrest, disreputable land agents and insufficient capitalization contributed to the failure to attract settlers. Some reform was called for and in 1840 the directors assigned to Galt the task of collecting overdue debts. In his subsequent report Galt recommended that the company establish easier credit terms and permit debtors to make payments in labour. According to O.D. Skelton, the report showed that the twenty-three-year-old Galt "had a power of going direct to the heart of the difficulty, a fertility of resource, and a quiet assurance of power which marked him out as the only man who could save the situation for the Company."[3] Galt's reputation was established and late in 1842 he was called to London and appointed as secretary to the company; two years later, at the age of twenty-seven, he was promoted to Commissioner and given a free hand and a reasonable period of time to make changes. Galt, in return, promised not to call for increased capitalization to finance new programs.

Under Galt's guidance the change in the company's fortunes was spectacular. The relaxed credit terms increased sales and consequently raised land values. Galt distributed pamphlets which frankly warned prospective settlers not to expect instant Utopia in Canada but to prepare for hard work. When English-speaking colonists showed reluctance to settle in a French-speaking province, Galt turned to the French-Canadians and attracted them with easy credit terms, payable in labour, stock or grain; he built them roads, mills, stores and developed water power. During his twelve years as commissioner, land sales rose from 1,500 acres to 12,000 acres per year. When he came to the company, its investments were unproductive; when he left, revenue bearing mortgages equalled the value of the remaining lands, and the actual value of the company's real estate was now equal to its capital investment. While external factors were favourable, Galt's sound judgements and wise management changed "the position of the Company from one of almost helpless insolvency to that of a valuable and remunerative undertaking."[4] Galt's tenure as commissioner had shown him to possess the qualities and characteristics of entrepreneurship.

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[3] Skelton, Galt, p. 5.

Galt's success was in no small measure due to his railway activities. His interest in railways was aroused by John A. Poor, a Bangor, Maine, lawyer who in 1845 proposed the construction of a line from Montreal to Halifax via Portland, Maine. Galt immediately recognized that the projected railway would bisect the British American properties which were far removed from markets and suppliers. By providing essential transportation, such a road would increase land values and sales, and thereby prove to be profitable to him both in terms of his career and personal finances. Galt also knew that there was great interest in

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[4] Ibid., p. 15.

Montreal for an access to an Atlantic port as a means of competing with the rival ports of Boston and New York. Thus he arranged a meeting of a number of his Montreal business acquaintances who subsequently organized the St. Lawrence and Atlantic Railway to build a road from Montreal to the New Hampshire border to meet with the Atlantic and St. Lawrence coming from Portland. The list of incorporators was an impressive cross-section of Montreal wealth; it included Peter McGill, William Molson, George Moffat, John Torrance, John Fotheringham, A.N. Morin, Samuel Brooks and Edward Hale. The group, although influential, was not strong enough to convince the Canadian government to subsidize the venture; Galt, therefore, was asked to seek funds on the London money market. The first of many such trips, it proved to be successful because Galt reached London at the height of the domestic railway mania; he had no problem interesting his friends at the British American Land Company, and others, in a Canadian railway; and so within a short time the capital was subscribed. By all appearances Montreal had its long sought connection with an ice-free port, a short-lived victory because the railway bubble burst shortly after Galt's return to Canada and his financial support from abroad evaporated. Instead funds would have to come from local sources. As private investors could not raise sufficient money, Galt made a second, but fruitless, trip to London and also tried in vain to interest the provincial government.

A change in fortunes did not come until 1849. Shortly after the freeze-up in 1848, British wheat prices began to drop and the value of the grain being stock-piled at Montreal for export in the spring fell accordingly. The business community estimated that the losses incurred that winter could have paid for the Canadian portion of the railway to Portland. Suddenly the Canadian government was eager to support a railway and in the spring of 1849 the Legislative Assembly approved the Guarantee Act which guaranteed a six percent interest per year on the bonds of any railway seventy or more miles in length and at least half completed. Alexander Galt had figured prominently in the negotiations leading to the Act and his railway was the first Canadian road to be publicly assisted.[5]

Government backing did not mean an end to Galt's problems because first he had to build thirty-five miles of track. In addition, the directors discovered that serious mismanagement of company funds had created a heavy debt. In desperation they asked Galt to take complete control of the project and late in 1849 they elected him president of the company. Galt faced a desperate situation, a predicament so bad that at one time a banker refused to loan him a paltry few hundred pounds. Day after day he battled for the railway and finally by various audacious expedients he completed the first section by October 1851. His most important innovation was to award contracts only to those firms willing to accept payment in the railway's stock. He was also helped enormously by his brilliant Chief Engineer, Casimir Gzowski, who in this instance build a sloppy haphazard railway but thereby qualified the company for the government guarantees and made financing much easier.[6] The St. Lawrence and Atlantic owed much of its success to the skillful management of Alexander Galt.[7]

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[5] The principle of government support for private enterprise was not new to Canadian politicians. Such cooperation can be traced back to the fur trade era in New France and more recently to the canal-building activities in the early part of the nineteenth century. The financing of the Welland Canal is strikingly similar to that of the St. Lawrence and Atlantic. William H. Merritt's entrepreneurial role in the construction of the canal is very similar to Galt's part in the building of the railway. See Aitken, Welland Canal.

The Atlantic and St. Lawrence experience taught the young entrepreneur and his associates some valuable lessons. They learned the techniques of railway construction, the art of financing a large enterprise, the means of influencing governments, and the pitfalls in bargaining with shrewd contractors. Most importantly, they, like many others, had discovered a formula for personal success. The rules were simple: form a company, retain a controlling interest in the stock, float public bonds secured by government guarantees, award fat construction contracts to insiders, and reap the profits. Thus the St. Lawrence and Atlantic prepared Galt and his friends for the wild and unrestrained speculation orgy of Canada's first railway craze.

The St. Lawrence and Atlantic was the forerunner of Canada's first great railway era: in 1850 the province had only sixty miles of unconnected bits of road; in 1860 she possessed nearly two thousand miles of track and one company alone controlled the longest railway in the world. Throughout the decade, railways dominated public discussion, stimulated private enterprise and determined government policy. The affairs of businessmen and politicians became intimately intertwined and nearly indistinguishable in the rush to satisfy the public appetite for more and more railways. The British construction firm of Peto, Brassey, Betts and Jackson, with railway projects all over the world, teamed up with the prestigious banking concerns of Glyn, Mills and Company and the Baring Brothers to persuade the Canadian government to build a trunk railway from Montreal to Hamilton. The spirit of the time was ripe for this grandiose project and, in 1852, Francis Hincks, the Inspector-General of Canada, concluded an agreement with the construction and banking giants to build the Grand Trunk Railway.

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[6] C.S. Gzowski, the son of a Polish nobleman, had participated in the Polish insurrection of 1830 and was forced to flee to the United States. Despite his complete ignorance of the English language he managed to educate himself to be a lawyer and was admitted to the bar within six years. He then turned to engineering and in this capacity took a position with the Department of Public Works in the Province of Upper Canada. His next position was as Chief Engineer for the St. Lawrence and Atlantic. See Ludwik Kos-Rabcewicz-Zubkowski and William Edward Greening, *Sir Casimir Stanilaus Gzowski* (Toronto: Burns and MacEachern, 1959).

[7] G.R. Stevens, *Canadian National Railways, I, Sixty Years of Trial and Error, 1836-1896* (Toronto: Clarke, Irwin and Company, 1959), p. 57. Stevens, who is very critical of Galt's railway exploits, admits, "That the St. Lawrence and Atlantic Railroad ... survived was almost solely due to the unremitting devotion of Alexander Tilloch Galt."

No sooner had the negotiators signed the agreement when the project ran into a potentially fatal problem. Galt and Gzowski had formed a company with a charter to construct a railway from Kingston, Ontario to Montreal. It is uncertain whether Galt seriously meant to build the railway or merely obtained the charter for its nuisance value. In either case, if he coupled the Kingston road to his Portland line at Montreal, his company could drain all the traffic from the Grand Trunk which had no access to the Atlantic. For the Grand Trunk to survive this serious hemorrhage of traffic meant coming to terms with Galt.

Galt had yet a third railway interest. He and Gzowski had formed an association with Luther Hamilton Holton and David Lewis Macpherson, two giants in Canadian transportation. The four founded

Gzowski and Company, an extremely efficient railway construction firm with Galt as negotiator, Holton the financier, Macpherson the general administrator and Gzowski the builder. The first charter obtained by the quartet was the Toronto and Guelph Railway. Construction, begun in 1852, was in accordance with high British standards, yet the cost was not ~~excessive~~ because Gzowski utilized new labour saving devices for cutting, grading and tracklaying. He also engaged the services of two well-known engineers from New York and Pennsylvania, Walter and Francis Shanly. Walter Shanly, who later worked for Galt in Alberta, was named the chief engineer and he contributed greatly to the high quality of engineering on the Toronto-Guelph line.

By 1853 Alexander Galt was one of the major figures in Canadian railways and a formidable rival of the Grand Trunk. The company had to come to terms with him in order to survive and it paid dearly. In 1853 John Ross, Solicitor General of Canada, A.M. Ross, Chief Engineer of the Grand Trunk, Samuel Peto, George Carr Glyn and Thomas Baring bargained with Galt for four months and finally hammered out a complex arrangement.[8] At Galt's suggestion the Grand Trunk took over the Toronto-Guelph Railway and extended the route to Sarnia, the enlarged section to be built at a handsome profit by Gzowski and Company. The directors of the Grand Trunk also agreed to lease the equipment of the Atlantic and St. Lawrence and purchase the assets of the St. Lawrence and Atlantic; they paid too much because the Canadian section was poorly built and the American part sometimes impassible; upgrading the road became a very heavy burden for the young company.[9] Lastly, the Montreal-Kingston charter was incorporated into the Grand Trunk system. Consequently at the end of the negotiations Galt had managed to triple the length of the railway making it for some time the longest in the world.

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[8] See Skelton, Galt, pp. 37-47; Stevens, National Railways, pp. 82-89, 179-185, 241-258; and A.W. Currie, The Grand Trunk Railway of Canada (Toronto: University of Toronto Press, 1957), pp. 11-15.

The failure of the Grand Trunk to become a profitable enterprise was in no small measure due to the activities of the Canadian entrepreneurs who enriched themselves at the expense of the company. As the 1850s witnessed one of the greatest orgies of public and private spending in Canada, and as community after community demanded rail service at any price, businessmen and politicians scrambled in unscrupulous haste for easy profits. A parliamentary inquiry, chaired by George Brown, uncovered an incredible tangle of confusion, waste and corruption, especially among some very prominent politicians. Alexander Galt was a product of this milieu and he speculated along with other Canadian businessmen and politicians who greedily sought to benefit from Canada's railway boom. Since he was a sharper haggler than anyone else, Galt and his associates became very rich.[10] While, on the one hand, his exorbitant terms seriously undermined the financial stability of the Grand Trunk; on the other hand, his counteractions expanded the railway from a mere local line straddling the Canadas to an international railway. Galt created an opportunity for quick and large profits; thirty years later he recognized a similar opportunity in western Canada and he used identical techniques, the same friends, financiers, and political influence to gain his objective.

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[9] Edward Chase Kirkland, Men, Cities and Transportation: A Study in New England History, 1820-1900 (New York: Russell & Russell, 1948), pp. 208-212, 478; Currie, Grand Trunk, p. 14.

[10] It is still impossible to estimate how much money Galt earned in the transactions with the Grand Trunk. The Toronto Globe reported that Galt earned $10,312 acting for the Atlantic and St. Lawrence and another $186,030 in the transfer of the St. Lawrence and Atlantic stock to the Grand Trunk. February 5, 1861. G.R. Stevens, writing in emotional words, probably is not far from the truth. "In their [Grand Trunk] deals with Alexander Tilloch Galt that colonial land salesman had fleeced them at every turn. They had paid him an

II. Galt as Politician

Upon the completion of the Grand Trunk negotiations, Galt virtually disassociated himself from the railway except for occasional consultations requested by its president, John Ross. A few years later, in 1858, he also retired from the Gzowski firm to devote his entire attention to public affairs. Galt, who had entered the political arena in 1849, became one of the most prominent and influential politicians in the United Canadas. He accepted his first nomination both for personal honour and power, and to serve his company; to him the interests of politics and business were intimately intertwined as

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absurd price for the St. Lawrence and Atlantic Railroad - a price which they permitted him to increase when he learned that they had offered a similar price to another railway.... As for the United States section of the Portland line, it could scarcely be said to exist; yet they leased it at a rental which guaranteed six percent on its stocks both sold and unsold, and they understood the service of the City of Portland bonds and all the sundry indebtedness of the railway. In western Ontario they hired Galt (through Gzowski and Company) to build their own railway for them and at a price one-third higher than Gzowski was being paid for building another line in the same neighbourhood. Nor was Gzowski paid as were the English contractors, in part with railway shares and debentures, but one hundred per cent cash on the nail." National Railways, p. 245; see also Currie, Grand Trunk, pp. 14, 116, 171.

the welfare of the province depended upon healthy corporations. "I consider the interests of the Company and of the country to be identical,"[11] he wrote, and while his political label changed several times, he remained the representative of the business interests of his own constituency of Sherbrooke and that of Montreal.

The ties with the Montreal business élite were intimate. The various railway enterprises had brought him into close contact with the leading investors of Montreal and in 1848 he had married Elliot, the daughter of John Torrance, an influential banking and shipping magnate and partner in the St. Lawrence and Atlantic. Elliot Galt died in May, 1850, soon after the birth of their first son, Elliot; a year later Galt married her younger sister, Amy Gordon. Thus socially as well as financially, he was linked with the business community and the connection coloured his political outlook.

The political career of Alexander Galt is well-known. In his first session, he supported the 'British Party' and voted against the Rebellion Losses Bill; in October, 1849, he signed the Annexation Manifesto because free trade destroyed the economic basis of imperial unity and made a bond with the prosperous United States an attractive alternative. Significantly, his stance coincided with his personal battle for the survival of the St. Lawrence and Atlantic. By 1853 he called himself a Liberal, sat on the fringes of the Rouges, and supported the government when expedient. His political stature grew quickly and in 1858 after George Brown's 'Short Administration' the forty-one-year-old Galt was asked to form the government but refused because he could not muster enough support. He did accept the post of Inspector General in George Etienne Cartier's government, however, a move strongly criticized by the Toronto *Globe*.[12]

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[11] Cited in Skelton, Galt, p. 64.

As a condition of accepting the finance ministry, Galt insisted that the government consider his scheme of a federation of the British North American colonies. Accordingly, in July, 1858, he presented a plan which allowed the provincial legislatures to deal with contentious parochial issues while the federal government considered common affairs, a system he hoped would rectify the existing constitutional and political chaos. It is not so well-known that the proposal went beyond political considerations, revealing Galt's commercial interests, because his proposition would institute a free flow of complimentary resources among the various colonies, facilitated by an intercolonial railway. An integral part of Galt's motion was the Northwest which he saw as providing rich, new opportunities for exploitation, once it was attached to a federated British North America. In a passionately imperialistic flourish, he exclaimed,

> The House ought to assume the responsibility of occupying that great empire ... that region ten times as large as the settled heart of Canada,

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[12] The Toronto Globe still seething from the "Double Shuffle" manoeuver denounced Galt in typical Clear Grit terms, "No one will deny him [Galt] greater skill and resources than his predecessor, but as to honesty, economy, or desire to bring the finances of the country to a proper condition, we believe he is even worse than Mr. Cayley." The paper continued in a second article, "Mr. Galt is a more dangerous man than Mr. Cayley. He will be far more dexterous in the treatment of figures - far more clever in humbugging the House; but as to economy, he is incapable of it. He has not the courage of a mouse; nor has he the sense of right, the desire for the public good, necessary to induce him to apply the pruning knife to the expenses of the country. He is a jobber at heart; the benefit of the people is his last thought in considering a public question." August 9, 1859.

> a thousand miles long by seven hundred broad and capable of sustaining thirty millions of souls. Such a thing has never yet occurred to any people as to have the offer of half a continent.... The door should be opened for the young men of Canada to go into that country, otherwise the Americans would certainly go there first....[13]

Galt enthusiastically urged his colleagues to act quickly to adopt his grand scheme because federation could raise the territories above crown-land status, giving them local government and an incentive to join the union. "We could offer immigrants a great opportunity," he pleaded, "Half a continent is ours if we do not keep on quarrelling about petty matters and lose sight of what interests us most."[14] Although his creative outline of federalism found little support in the legislature or in Britain when he, Cartier and John Ross travelled there to seek imperial approval, the idea of union never died out completely and the scheme embraced later was remarkably similar to Galt's draft.

Although Galt, as Minister of Finance, worked under the very difficult conditions of economic depression with its decreasing revenues and increasing expenditures, he was remarkably effective. Thanks to his long and friendly associations with leading London investors, especially Thomas Baring and George Carr Glyn, Galt managed to retain their confidence in provincial financing, even though they incurred heavy losses in the Grand Trunk Railway. Partly to increase government income, partly to foster Canadian industries, Galt, in 1859, instituted Canada's first protective tariff, directed against Britain as well as the United States. While he preferred free trade, Galt through his tariff stated that a responsible colonial government could direct its own economic affairs and implied that Canada had rejected commercial union with the United States. Reversing his stand of 1849, Galt at this time feared a close integration with the powerful American economy whose wealthy corporations could easily overpower Canadian firms.

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[13] Cited in Skelton, Galt, p. 81.

[14] Ibid.

Meanwhile events were rapidly pushing Canadians toward a radical reorganization of their political structures. Galt, now in his forties, thick-set, balding slightly, wearing a wisp of a beard, played a crucial role in the negotiations leading to confederation. In 1864 he served on George Brown's Select Committee of the Assembly inquiring into the feasibility of colonial union and a few weeks later he and John A. Macdonald visited Brown to arrange the coalition government which opened the way to federal union. At the Charlottetown and Quebec conferences, Galt explained the financial details of confederation; they were his greatest moments as he created and confidently explained the largest and most intricate corporate plans in his career, a transcontinental nation. His speeches, loaded with sweeping generalizations and spiced with rhetorical flourishes also were authoritatively annotated with specific statistics. With fluid eloquence he unfolded the comprehensive scheme and pacified the restive Maritimers. At the conferences he promised them federal assumption of provincial debts, subsidies and division of revenues. In the end his infectious enthusiasm which had inspired so many others to support his financial schemes, disarmed the suspicious Atlantic representatives and he won their reluctant approval.[15]

Early in 1865 Galt and Cartier travelled to England, joined a little later by Macdonald and Brown, to present the new arrangement to the imperial government. The energetic Galt readily tired of the dilatory polite negotiations and the seemingly endless social gatherings. He did not like the world of aristocrats, as he confided to his wife,

> We are decidedly in the "haut monde" at present, but I confess I would rather mix with my own class. It shows, however, that politics form the only short cut from the middle to the upper ranks. No amount of wealth would secure the attention we receive, and these attentions are given not to us but to our offices, and in compliment to our people.... Still it is pleasant to be the recipient of marks of attention.[16]

Galt returned to Canada to face the threatened abrogation of the Reciprocity Treaty by the Americans. He wanted to go to Washington to persuade the United States to continue or perhaps modify the terms but was strenuously, though unsuccessfully, opposed by George Brown. The two men were never comfortable together because they were so much alike. Both were proud, at times even vain, both had stubborn, independent minds; and, both were temperamental and sensitive to criticism. Yet they were also at odds because Galt did not possess Brown's strong moral character and was more creative, clever, and influential.[17] Jealousy was part of Brown's antipathy for he, like Galt, was a successful businessman, prominent in the commercial life of the province, equally interested in economic problems, but he never attained Galt's pre-eminence as the financial wizard of Confederation. Apart from these personal dislikes Brown did not trust Galt to carry out the sensitive mission to the United States since he believed the headstrong Galt to be too liable to make rash decisions. His concern was not unfounded and when Galt did reach unauthorized understandings with the Americans in December of 1865, Brown resigned from the cabinet because he felt that the Maritimes had not been consulted on this very important matter, an oversight which could jeopardize the confederation agreement.[18]

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[15] See D.G. Creighton, Road to Confederation: The Emergence of Canada, 1863-1867 (Toronto: Macmillan of Canada, 1964), pp. 114-115, 167-169, 236.

[16] Cited in Skelton, Galt, pp. 163-164.

Less than a year later Galt himself resigned. He had publicly pledged to seek specific minority rights for English-speaking Protestants in Quebec. His terms became unacceptable when the Roman Catholics of Canada East demanded similar provisions, a political impossibility since Upper Canadians refused to make such concessions for their province; thus the guarantees were withdrawn. While Galt did agree with the political procedure, he felt honour-bound to withdraw from the cabinet.

Although Galt resigned his cabinet post, his fiscal talents were still needed by the government and he agreed to serve on the last delegation to London to work out the final details of

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[17] Creighton, Confederation, pp. 306-307.

[18] J.M.S. Careless, Brown of the GLOBE: Statesman of Confederation, II (Toronto: The Macmillan Company of Canada, 1959), pp. 203, 212-217.

Confederation. During the meetings, held in December, 1866, Galt anxiously sensed that the British wanted to be rid of the colonies; he feared that, even if united, Canada alone could not withstand the pressures of American annexation. Nearly twenty years in political life had changed Galt's view of the United States.

Galt, as politician, played a leading role in the realization of Confederation. He was the first to introduce a comprehensive concept of federal union into active politics because he keenly understood the value of moulding a unified national structure out of the economic and political diversities of the British North American colonies. In his view confederation was not so much a solution to political chaos or defense against American invasion, but more a merger of provincial economies into a strong national system. The acquisition of the North-west, balanced by the Maritime provinces, could expand Canada's economic opportunities and create an independent nation able to withstand the stiff competition of its wealthy southern neighbour. While his perspective was still that of the entrepreneur, in his political career the driving quest for personal monetary profit was muted and, at the expense of his own financial affairs, he managed the public's business. The financing of provincial activities and the implementation of confederation was his main concern; the expected reward for this task was not pecuniary gain but honour and political power.

III. Galt in Opposition

In the post-Confederate era the relationship between Alexander T. Galt and John A. Macdonald, never entirely trouble-free, was severely strained. The root cause was a difference in temperaments. Macdonald, the cautious politician, acting only when absolutely necessary, could not understand Galt's obsession with long range issues which might never come before Parliament; he was suspicious of Galt's openness to new ideas, his willingness to adopt new concepts, which, in his opinion were marks of instability and characteristics unsuitable for party politics. As for Galt, while he appreciated Macdonald's practical outlook and deep devotion to his duty, he could not condone corruption to attain the ends of the party, nor the subjugation of principles for the sake of political expediency. Galt's business ethics, basically the inexorable creed of survival of the fittest, allowed him to be a relentless bargainer, exacting the utmost from a deal, unforgiving of a weaker opponent; yet, his pious religious background forebade him to be a dishonest dealer, deriving profits at the expense of principles, attaining goals through graft. This basic difference in perspective, the shrewd, harsh but honest business ethic over against the cunning, complaisant and pliable political morality caused a split in their friendship which never healed even after later reconciliation.

Their disagreement surfaced early in the life of the new government of which Macdonald was the Prime Minister and Galt the Minister of Finance; the issue was the Commercial Bank in which Galt had a considerable interest. The bank was facing bankruptcy, and Galt, as Minister of Finance (a position he felt did not clash with his role as investor), advised the Cabinet to aid the struggling bank in order to prevent serious financial repercussions in the nation's banking circles. When the Cabinet refused, the Commercial, in October of 1867, closed its doors, triggering a bank panic which had to be stopped by government intervention. Galt, interpreting the belated government action as a lack of confidence in his counsel, resigned. Macdonald accepted the resignation but on several occasions tried, without success, to woo Galt back.

Personal jealousy was also a factor in the growing alienation. The British government, by naming Macdonald a Knight Commander of the Bath, and Galt and Cartier Companions of the Bath, deeply offended the recipients of the lesser title who felt that their contribution to confederation had been as significant as that of Macdonald. Even the award to Galt of the Order of St. Michael's and St. George in 1869 did not entirely remove the resentment.

Throughout the entire session of 1870 Sir Alexander T. Galt spoke out against the Government and it was at this time that he became the political voice for a budding Canadian nationalist movement. He called for the gradual progression towards full Canadian independence in order to create a self-confident nationalism as a bulwark against American annexationism. A move towards independence, however slow, was politically unacceptable to Macdonald, and he scoffed, "Huntington and Galt, these two advocates of a very qualified form of 'independence', introduced resolutions supporting the treaty making powers for Canada ... which is 'nonsense'."[19]

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[19] Joseph Pope, Correspondence of Sir John Macdonald: Selections from the Correspondence of the Right Honourable Sir John Alexander Macdonald, G.C.B., First Prime Minister of Canada (Toronto: Oxford University Press, 1921), Macdonald to Rose, February 23, 1870, p. 128. Macdonald added, "Galt came out, I am glad to say, formally in opposition, and relieved me of the difficulty connected with him.... But he is now finally dead as a Canadian politician. The correspondence between Cartier and himself, in which he comes out squarely for Independence, has rung his death knell, and I shall take precious good care to keep him where he is."

Galt and Macdonald also had a minor philosophical disagreement which further strained their association. Galt, concerned about the activities of Bishop Bourget of Montreal, expressed his alarm in a pamphlet entitled *Civil Liberties in Lower Canada*.[20] In his attack on the increasing involvement of the Roman Catholic Church in active politics, a clear violation of the principle of separation of church and state, he warned that the civil liberties of the English-speaking Protestants, as well as those of the French Roman Catholics, in Quebec were in jeopardy. The public reaction to the tract came mainly from Roman Church officials and was largely hostile; Galt, therefore, wrote a second booklet, *Church and State*, which countered his critics and listed specific instances of ecclesiastical interference in secular affairs.[21] He tried to enlist Macdonald's support but that wily politician wanted no part in any anti-clerical campaign which could upset the delicate structure of the Conservative Party. Political expediency and dogmatic principle clashed.

The eruption of the Pacific Scandal provoked their worst disagreement because Galt, adopting a stringently moralistic tone, refused to aid the distressed Macdonald. His position was not totally altruistic, however, for he always had a deep interest in a Pacific railway having proposed one almost fifteen years before Confederation.[22] When in 1870 Galt's old friends, Macpherson, Gzowski and C.J. Brydges, the Managing Director of the Grand Trunk Railway, invited him to join them in their bid against Sir Hugh Allan for the Pacific Railway contract, he declined but did write several of the Macpherson memorials to the federal government.[23] One year later he did join Donald A. Smith, George Stephen and others in a project to link Fort Garry to a Minnesota railway, a proposal expanded a year later, eastward from Fort Garry to Lake Superior; the American connection was not approved by the government, however, because it had just awarded a contract to Sir Hugh Allan to build an all-Canadian transcontinental railway. In the ensuing scandal associated with the Allan contract, Galt broke with Macdonald and, in an open letter to Senator Ferrier, he acknowledged the country's debt to Macdonald's statesmanship, but he could not condone the indiscretions of the Conservatives. He harshly condemned Macdonald, writing, "I regard his election as leader of the opposition a grave mistake,"[24] which could lead to wholesale desertions of Conservatives to the Liberal Party. Galt's stand was not just a sanctimonious rebuke from the too clever entrepreneur of the Grand Trunk era who freely mixed profits and politics, but rather a denuciation from a businessman who disliked bribery because it transgressed his moral code and as an example of unfair competition violated the rules of the game.

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[20] A.T. Galt, Civil Liberties in Canada (Montreal: D. Bentley & Co., 1876).

[21] A.T. Galt, Church and State (n.p.: Dawson Brothers, 1976).

[22] Leonard Bertram Irwin, Pacific Railways and Nationalism in the Canadian-American Northwest, 1845-1873 (New York: Greenwood Press, 1968), pp. 30-31.

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[23] Macdonald did not want Galt leading a Pacific railway company. He wrote to Brydges, "You know that I had communication with Galt on the matter [road to the Pacific] who, at the time, seemed full of it. But he is as unstable as water, and no one can depend upon continuous exertion in one direction with him for 48 hours. If he is the guiding mind, there will be great uncertainty, great delays, and I fear, a want of success.... At the same time I fully appreciate the advantage of his connection with the road, providing he has not a predominating influence. His suggestiveness and versatility of resource would be of great value." Pope, Macdonald Correspondence, Macdonald to Brydges, January 28, 1870, p. 125.

[24] Public Archives of Canada, Galt Papers, Vol. 8, Galt to Ferrier, September 3, 1875. (Hereafter cited as PAC.)

The open letter to Ferrier also criticized the feasibility of the Pacific Railway. Galt, believing it foolish to build through the Canadian Shield, implied that Canada should make use of existing American railways: "I consider the proposition perfectly monstrous that for the sake of the sparse population on the Pacific Coast, the prosperity of the four millions of people east of Lake Superior should be arrested and their political independence jeopardized."[25] According to Galt, Canada could not afford a project which would drive taxes so high they would discourage potential immigrants; British Columbia, therefore, had to be told, "that the engagement was improvident and its fulfillment impossible."[26] If she could not accept these conditions, she should leave the union. It is little wonder that Alexander Mackenzie, the new Prime Minister, invited Galt to negotiate with British Columbia, an assignment he could not accept for personal reasons.

The letter hurt Macdonald deeply and shattered the last vestiges of friendship with Galt. It remained so until October 1876, when Galt made overtures for a reconciliation and Macdonald accepted. Although they soon were friends again, the scars of the conflict remained. Galt, as elder statesman, unconcerned with political survival, had raised a number of issues based on broad, economic or moral principles; his position clashed with that of Macdonald, the politician, concerned with political expediency and his own version of nation building.

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[25] Ibid.

[26] Ibid.

IV. Galt as Diplomat

In October, 1878, the Canadian electorate returned John A. Macdonald and his Conservative party to office; it gave Macdonald a mandate to implement his framework for a separate economic existence for Canada in North America. While Confederation had bound the far-flung provinces of Canada together in political unity, the powerful magnet of the United States persistently pulled trade southward thereby preventing strong economic cohesion among the Canadian regions. To overcome the lure of the wealthy southern markets and to advance economic oneness, Macdonald planned the erection of a high tariff wall between the two countries. Behind this barrier central Canadian industries could flourish in safety and sell their products not only to the Maritimes but also to the swelling population of the newly acquired North West Territories.

The Northwest served a special function in Macdonald's national policies. Since Canada could not create a strong industrial economy without large markets, the settlement of the plains was an absolutely essential ingredient of the Conservative plans. A settled West could use its rich natural resources, notably grain, to purchase goods manufactured in central Canada. Another western natural asset, namely land, could support a transcontinental railway linking western to central Canada and beyond to the Atlantic, an essential transportation chain facilitating the lucrative interchange of goods behind the protective economic barricade.

Macdonald could implement the plan almost immediately because the Northwest was ready for settlement. In 1877 the Mackenzie administration and the Plains Indians had signed the last of a series of treaties in which the Indians exchanged the freedom of the prairies for fences and reservations. As settlers were crucial to the success of the national policies, Macdonald himself took the ministry of the interior, a post which enabled him to personally promote and manage western expansion. Other key portfolios were assigned to Charles Tupper and Leonard Tilley; these powerful politicians were to erect the tariff cordon and supervise the construction of the railway.[27]

The national policies also planned to create a favourable international balance of payments and hoped to attract foreign investment to Canada. The task of seeking foreign support was given to Sir Alexander T. Galt, who travelled to Spain late in 1878 to negotiate a trade agreement with its colonies, Cuba and Puerto Rico. While on his way Galt was also asked to settle a tariff dispute with France. Both assignments proved to be extremely frustrating for the impatient businessman because protocol dictated that he deal through the British Colonial and Foreign offices, as well as the British ambassadors in both capitals. Once he did break through the complex welter of red-tape, he learned that the two countries were unable to make immediate commitments; thus the disillusioned amateur diplomat returned to Canada in the spring of 1879 and reported that his many meetings had borne no significant results but could in the future. All that Galt had gained from the winter's experience was some understanding of the intricate entanglements of European diplomacy and a desire to be free from British interference in Canada's foreign affairs.

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[27] Donald Creighton, John A. Macdonald: The Old Chieftain, II (Toronto: The Macmillan Company of Canada, 1955), pp. 243-246.

Late in July, 1879, Galt and Macdonald travelled to England to join Tupper and Tilley in a round of negotiations with the imperial government. The Canadians wanted the imperial government to guarantee the bonds of the proposed Pacific railway, but the British declined the request. They did accept Macdonald's suggestion to establish a permanent Canadian representative in London; this quasi-diplomatic official, to be known as the High Commissioner of Canada in London, could facilitate a constant interchange of views between the two countries and keep abreast of British foreign policies, especially those affecting Canada.

The negotiations in London aroused Galt's entrepreneurial instinct and he wanted to be involved in the construction of the transcontinental railway and the settlement of the Northwest. He urged Macdonald to fire Sandford Fleming, who, according to Galt, was working too slowly and expensively. Galt wrote that Fleming seemed to be "incapable of grasping the idea of what the country wants and what its resources enable it to do and I must say with a frankness I trust you will pardon that his continuance on the direction of the Pacific Railway will defeat all our plans for the development of our country."[28] Galt implied that he did know what the country wanted and what the resources of the Northwest could do for Canada; he suggested that he form a commission with his railway friends, Brydges and Gzowski, to study the transcontinental and afterwards supervise the railway's construction and dispose of western lands.[29]

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[28] PAC, Macdonald Papers, Vol. 216, Galt to Macdonald, October 18, 1879.

[29] *Ibid.*

Macdonald, who never fully trusted Galt's railway ambitions, took little note of the advice and instead named him as the first High Commissioner, a logical choice because he, more than any other Canadian, had experience in dealing with foreign governments. The important position appealed to Galt's ambitions and his desire to redefine Canada's relationship with the mother country. Speaking at a farewell banquet on the eve of his departure for London in May, 1880, Galt disclosed that he hoped to obtain some sort of preferential trade agreement with Britain, perhaps even a customs union. At the same time, he indicated that his duties would also embrace immigration to the Northwest, finances and imperial defence.

Galt's speech differed in emphasis from the official directions he had received from the Canadian government. While financial and diplomatic concerns were important, Galt's primary task was to encourage immigration to Canada; his instructions were emphatically clear, "The most important subject which can engage the attention of the High Commissioner in England is the development of the North-West Territory."[30] The key to the national policies was settlement for without a populated West, the potential market for central Canadian goods would vanish, the railway tracks would rust, the dreams of a national economy would vanish. A bold scheme, created and executed by an imaginative promoter was needed to overcome the tendency of immigrants, including Canadians, to choose the American rather than Canadian prairies. Macdonald placed all his hopes on the entrepreneurial genius of Galt who fully appreciated the necessity of western development within the context of Macdonald's grand national vision. His entire career, private and public, had been devoted to expansionary schemes: the British American Land Company, the Portland and Grand Trunk railways were successful projects carried out, to be sure, for personal profit but simultaneously and intentionally they produced economic growth; his tariff policies in 1859 were designed in part to create a Canadian economy around the colonial canals and railways; and, his contribution to confederation was that of a businessman sensing a great opportunity for expansion into new territory. Since Canada had neither the financial nor human resources to utilize the tremendous potential of the Northwest, Galt had to capture the imagination of British financiers and government officials; he had to make them aware of the limitless opportunities in the West and encourage them to invest in large-scale immigration and exploitation enterprises.

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[30] Ibid., Vol. 217, Draft Instructions to Galt, n.d.

The commissionership was the greatest challenge of his career and Galt enthusiastically accepted the responsibility of implementing the western development plan, a project he had advocated for over twenty years. If he could persuade the imperial authorities to assist large-scale immigration, the reward would be personal honour. "Obtain it and you are King of the West",[31] Macdonald promised him. Coincident with his public duties, Galt also planned to spend time on personal affairs. His eldest son, Elliot, had uncovered a valuable coal seam in the far southwest of the Canadian plains and Sir Alexander hoped to interest private investors in the construction of a colliery to exploit this natural resource.

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[31] Pope, Macdonald Correspondence, Macdonald to Galt, February 26, 1882, p. 286.

PART TWO

CHAPTER THREE

THE NORTHWEST AND ITS NATURAL RESOURCES

I. The Northwest

For countless ages the semi-arid southwestern corner of Canada's North West Territories had camouflaged its dynamic vitality. Most of its visitors saw only an endless sea of waving grass interrupted by an occasional sagebrush or other dry-soil plant, a vast landscape, its monotony accentuated periodically by the gleaming white shore of an alkali slough, a low gravel hill or an odd sand dune where the wind willed it. Travellers noted that in the summers the same searing wind drove temperatures into the high nineties and scorched the sweltering plains. Brief, heavy rainstorms frequently accompanied by violent thunderstorms provided momentary relief but soon the parched ground and dry winds soaked up the precious water. The towering Rocky Mountains, which bordered the flat plains, robbed the prevailing winds of their moisture and thus vegetation grimly fought to survive; during the frequent and prolonged dry spells small plants withered and were replaced by hardy short grass. Still the rainfall, too scarce to permit the growth of trees, was never scanty enough to create a desert because periodically wet periods, often accompanied by floods, restored larger plant life and the taller grasses re-emerged and flourished. Thus the vegetation constantly changed and altered the landscape, a delicate ecological cycle little understood by early observers.[1]

Although only a few early explorers actually visited this southwestern part of the territories, most did comment on its nature, accounts probably based on reports from native residents. Henry Kelsey and Anthony Henday, for example, wrote about the dry country in the south and others, like Alexander Mackenzie and David Thompson compared the bleak southern territories with the seemingly more hospitable northern region. Thus general opinion believed that the western interior contained a dry prairie, a speculation confirmed by two expeditions in the late 1850s. A Canadian party, led by H.Y. Hind, visited southern Manitoba and parts of Saskatchewan and in its report differentiated between fertile and desert-like areas which Hind felt would determine the pattern of settlement. A second British group, under Captain John Palliser, travelled through the southern territories to the Rockies and popularized the terms — probably borrowed from Hind's reports — "fertile belt" and "central desert". This qualitative distinction, linked with Pallisers' name and soon associated with good and bad land, made a lasting impression upon the public mind.[2] Although Lorin Blodgett, an American climatologist, had recently claimed that the Northwest was very suitable for agriculture because the average climate was warmer and wetter than previously believed, the notion persisted that part of this region was unsuitable for settlement because it was semi-arid.[3]

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[1] Robert Webb, Alexander Johnston, J. Dewey Soper, "The Prairie World," in Alberta: A Natural History, ed. by W.G. Hardy (Edmonton: M.G. Hurtig, 1967), pp. 93-116.

[2] John Warkentin, "Steppe, Desert and Empire," in Prairie Perspectives 2, ed. by Anthony W. Rasporich and Henry C. Klassen (Toronto: Holt, Rinehart and Winston of Canada, 1973), pp. 102-136.

While regional rainfall might be inadequate for agriculture, water certainly is plentiful. The territory is bounded on the west by the fertile foothills which are criss-crossed by countless streams fed mainly by the meltwater from the snow-capped Rockies. Spilling onto the plains, they carved deep coulees into the soft and undulating prairie surface. The main arteries, the Waterton, St. Mary's and Belly rivers, converge into the Oldman whose rushing spring run-off has through the centuries gouged a valley three hundred feet deep and a mile across from rounded edge to rounded edge. The Oldman snaking its way eastward, joins the South Saskatchewan which ultimately delivers its water to the Hudson Bay. Just a few miles from the source of the St. Mary's, the Milk River commences its meandering course through the countryside and meets the Mississippi which drains into the Gulf of Mexico far to the south. In the spring mountain meltwater transforms the icy streams into raging rivulets which surge into the rivers and rush toward the sea; in the summer, however, the springs dry and the rivers become shallow and lazy. Nevertheless, water is abundant and the value of this resource was eventually recognized by Sir Alexander Galt who utilized it to increase the worth of his extensive land holdings in this region.

Moisture is also provided by large quantities of snow which falls every winter. Warm winds, known as Chinooks, periodically drive out the cold air, melt the snow and thus make survival possible for animal life during the harsh, long winters on the wind-swept, unsheltered prairies. The warm winds, whistling through the mountain passes, dive down onto the prairies and the compressed, heated air drives up surface temperatures — a forty degree rise in ten minutes is possible — melting the snow and drying the grass; thus it bares winter forage for the many animals which live on the prairies.[4]

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[3] G.S. Dunbar, "Isotherms and Politics: Perception of the Northwest in the 1850's," in Prairie Perspectives 2, pp. 80-101.

The nutritious grasses of the vast, treeless plains generously supported large numbers of wildlife. Immense herds of bison wandered at will and formed at times an uninterrupted shaggy carpet of brown hides or perhaps an endless thin line of plodding beasts.[5] Side by side with the ponderous buffalo the graceful pronghorn grazed on the broad-leafed plants scorned by the larger animals. Occasionally a grizzly or wolf might wander from the foothills or mountains onto the plains. Through the grass slithered an assortment of snakes gorging themselves upon the numerous toads, gophers and mice. The muskrat and beaver made their homes in the many lakes while on their shores the porcupine and groundsquirrels played their games. The skies were filled with falcons, hawks, eagles, larks, ducks, blackbirds, whooping cranes, and trumpeter swans. The land was rich and food abundant.[6]

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[4] Richmond W. Longley, "Climate and Weather Patterns," in Alberta: A Natural History, pp. 55-56.

[5] J.G. Nelson, "Animals, Fire and Landscape in the Northwestern Plains of North America in Pre and Early European Days," in Prairie Perspectives 2, pp. 63-79, suggests that the countless bison grazed so heavily that they contributed substantially to the shortgrass cover of southern Alberta and Saskatchewan, a factor which might partially explain Palliser's assessment of the region.

[6] Webb, Johnston, Soper, "The Prairie World."

The native Amerindian fitted well into the ecological system because he had learned to live in harmony with the slowly pulsating rhythm of prairie life. The Blackfeet, Bloods, Piegan and Sarcees roamed across the southern plains and survived because with their primitive hunting techniques they could kill only for immediate needs and the relatively small numbers shared the bountiful bison herds.[7] The Indians, who did not recognize the value of the soil or the treasures beneath it, did appreciate the animal resources and guarded them carefully because they were the mainstay of their economy and diet.

The white man who entered this southwestern region in the 1850s viewed both the Indian and wildlife as items of easy profit. Greedy robe hunters and wolfers wantonly butchered the buffalo and pronghorn only for their hides or bones. Traders, operating from Fort Benton, Montana, erected strong forts with fitting names like Robber's Roost, Slide-Out, Stand-Off and Whiskey Gap. Of all these, Fort Whoop-Up was the worst. Founded at the junction of the St. Mary's and Oldman rivers, near present-day Lethbridge, the solid-squared-log structure, guarded by one bristling cannon, protected the merchant from his drunken customers maddened by adulterated alcohol.[8]

The debauchery of the Indians stopped with the arrival of the North West Mounted Police in 1874. Most of the whiskey traders fled the country and only a few were arrested and convicted. The problem of whiskey smuggling, although never completely eradicated, was effectively curbed and next the police turned to the problem of moving the natives to reservations in order to make room for the anticipated influx of white settlers. The task of placing the demoralized Indian on reservations was made easier because the debility provoked by excessive alcohol consumption and the starvation caused by the disappearing wildlife reduced the once proud nomad of the plains to total dependence upon the goodwill of the Dominion government.[9] The pacification program was embodied in a number of treaties of which the last and seventh, signed in 1877, covered the southwestern natives. The policy, laid out by these treaties, was administered by Edgar Dewdney, the Indian Commissioner, and his able assistant Elliot Galt, Sir Alexander's eldest son.

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[7] Alan Bryan, "The First People," in Alberta: A Natural History, pp. 277-294.

[8] See Gerald Berry, The Whoop-Up Trail: Early Days in Alberta-Montana (Edmonton: Allied Arts Products Ltd., 1953), pp. 39-40; and Paul F. Sharp, Whoop-Up Country: The Canadian-American West, 1865-1885 (Minneapolis: University of Minnesota Press, 1955).

By 1880 government officials claimed that the Canadian Northwest was generally peaceful and ready for settlement. In the ten years since it took control over the territories, the government had introduced a rudimentary system of management of which the Mounted Police were its most efficient agent. This administrative superstructure, haphazardly superimposed on prairie life, completely transformed the West; the government, which viewed the Northwest as an essential component in the Confederation scheme, was interested chiefly in the valuable resources of the territories and its policies were designed to facilitate the rapid exploitation of these riches. Conservative politicians, spurred on by eager businessmen, did not regret the loss of the wildlife resource; instead they valued the prairie soil and the treasures hidden beneath it. That the countless bison no longer covered the prairies, that the nomadic Indians no longer roamed the plains at will was of little concern. The value system of the day emphasized the development of the agricultural and mineral potential of the Northwest, and thus men worked tirelessly and devoutly in pursuit of this objective. When in 1882 Sir Alexander Galt made a business trip to the prairies, the sixty-year old entrepreneur willingly suffered considerable discomforts on this wagon journey across the plains. In passing he noted the dearth of wildlife. "We saw no game," he wrote, "except a few antelope."[10] His reaction was typical: despite the threatened extinction of the species, Galt lamented his failure to shoot one. Since he came in search of coal, the conservation of animals, even at this late date, was of no interest to him. At the same time his comments about the monotonous landscape indicated that much of the Northwest had truly become a barren wilderness but with the Indian out of the way at least it was ripe for economic exploitation.

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[9] George F.G. Stanley, The Birth of Western Canada: A History of the Riel Rebellions (Toronto: University of Toronto Press, 1961), pp. 194-242.

II. The Search for Coal, 1870-1880

Sir Alexander Galt was interested in two of the natural resources of western Canada — land and coal. Like settlement, the development of coal was closely associated with the construction of the Pacific railway across the prairies. An essential ingredient in the government's railway policy was inexpensive fuel for the transcontinental trains and the only feasible form of energy on the treeless plains appeared to be coal. The nearest collieries, however, were in Pennsylvania, a long and expensive haul removed from the Northwest. What the railway needed then was a large supply of coal right on the prairies themselves. This demand was recognized and satisfied by Galt, the first entrepreneur to develop the vast coal resources of the Northwest.

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[10] PAC, Galt Letters, Vol. 8, Supplemental, Galt to Lady Galt, September 4, 1882.

The plans for a transcontinental railway, potentially a voracious consumer of coal, sparked interest in the western Canadian reserves. The presence of coal in the territories was common knowledge since early explorers, like Edward Umfreville, Alexander Mackenzie and Peter Fidler, had reported their sightings of large deposits of coal in the Northwest. Other travellers also recorded the presence of coal: in 1800 David Thompson noted coal deposits in the vicinity of Edmonton and in 1810 Alexander Henry Jr. sighted coal in the Saunder's Creek region. No exact surveys nor estimates of the potential reserves were made simply because there was no demand for the coal nor was economical transportation available. The situation changed radically in 1871 when the Canadian government promised British Columbia a Pacific railway as an enticement to enter the bonds of Confederation. The true extent of the western coal reserves was a vital question which required scientific estimation.

The search for coal concentrated on the area west of Edmonton because a favourite route for the railway was along the North Saskatchewan River and through the Rocky Mountains by way of the Yellowhead Pass. The presence of coal east of the pass was noted by Sir James Hector, who accompanied Palliser on his western expeditions. These deposits and the pass itself were popularized by the famous 1865 journey of Lord Milton and Dr. Cheadle, two inveterate British adventurers who travelled overland from Quebec City to the Pacific coast by way of the Yellowhead in order to prove that the best way of crossing Canada by land was along the "fertile belt" of the Saskatchewan River.[11] In 1872 Sanford Fleming, the Scottish engineer-in-chief of the Pacific Railway and his close friend and secretary Rev. George M. Grant travelled to the Pacific Ocean in order to confirm surveyor reports on a suitable route for the transcontinental railway. Rev. Grant recorded in his memoirs that at Edmonton House the employees of the Hudson's Bay Company extracted coal from the river banks for use in the fort's smithy.[12] Later, upon crossing the Pembina River west of Edmonton, the survey party saw a ten-foot, horizontal seam of coal on the east bank of the river. Some of the coal was fetched and used in cooking the evening's meal of pemmican. During supper the Métis guide told the interested surveyors of thick seams of coal near Rocky Mountain House and of an eighteen foot seam on the Brazeau River, a tributary of the North Saskatchewan. Grant duly noted the tremendous importance of the coal discoveries and stressed the significance of their proximity to rivers. "Here then," he wrote with obvious excitement, "is the fuel for the future inhabitants of the plains, near water communication for forwarding it in different directions."[13]

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[11] W.W.F. Milton, The North-West Passage by Land (9th ed.; London: Cassell & Company Ltd., n.d.), p. 323.

[12] George M. Grant, Ocean to Ocean: Sanford Fleming's Expedition through Canada in 1872 (Edmonton: M.G. Hurtig, Ltd., org. ed. 1873, 1967), pp. 182-83.

[13] Ibid., p. 205.

Although the construction of the Pacific railway was delayed by the Pacific Scandal and the desultory, haphazard railway policies of Alexander Mackenzie's Liberals, the federal government did continue extensive prospecting activities, a testimony to the great import placed on the western coal reserves. In the summer of 1873 Alfred R.C. Selwyn of the Geological Survey, canoed his way up the North Saskatchewan to search out the coal deposits so vital for the prospective railway and future settlement.[14] Selwyn discovered several large outcrops along the river bank and at one point about eighty miles downstream from Rocky Mountain House he measured a seam which towered twenty feet above the water level.[15] At the post itself he learned that the traders used large amounts of local coal for their forge.[16] With the boundless optimism so characteristic of the time Selwyn concluded that "There can be no question that in the region west of Edmonton, bounded by the Arthabasca [*sic*] River and on the south by the Red Deer River, there exists a vast coal field covering an area of no less than 25,000 square miles and beneath the area we may expect to find workable seams at depths seldom exceeding 300 feet, and often ... very favourably situated for working by levels from the surface."[17] In other words, not only was the coal available in large quantities, its exploitation would be relatively easy and thus inexpensive.

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[14] Alfred R.C. Selwyn, "Observations in the Northwest Territory on a Journey Across the Plains, From Fort Garry to Rocky Mountain House," Geological Survey, Report of Progress (Montreal: Dawson Brothers, 1874), p. 17.

[15] Ibid., pp. 7, 49.

[16] Ibid., p. 48.

[17] Ibid., p. 50.

Selwyn's confident assessment spurred further quests for coal and during the next few years the government chartered a number of expeditions. In 1875 R.W. Ellis, also of the Geological Survey, drilled many test holes along the North Saskatchewan and uncovered a new two-and-a-half foot seam just above Victoria.[18] Four years later R.C. Dawson, another employee of the Geological Survey, confirmed the reports of large seams at the Pembina River near the proposed Pacific Railway crossing and he stated with some caution that, although the coal was not of bituminous quality, a similar variety was being used successfully by the Union Pacific Railroad on its mountain section.[19]

Inspired by these discoveries, expansionists confidently predicted that the area west of Edmonton could provide ample fuel supplies for the transcontinental road. Whether or not Fleming considered these coal deposits when he adopted the Yellowhead is uncertain but in his reports he did make several references to seams he had examined on the Pembina and Macleod rivers. While he did spend considerable time analyzing Vancouver Island coal, Fleming never ordered similar extensive prospecting work for the foothills region.[20] Certainly the most obvious reason for selecting the northern route was the easy grade through the Yellowhead and the plentiful supply of water, gravel and timber along the Saskatchewan. The Canadian government concurred with Fleming's choice and in 1879 officially sanctioned his proposed route.

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[18] R.W. Ellis, "Reports on Boring Operations in the North West Territory, Summer of 1875," Geological Survey, Report of Progress, 1875-1876 (Montreal: Dawson Brothers, 1877), pp. 288-289.

[19] R.C. Dawson, "Report on the Exploration from Fort Simpson on the Pacific Coast to Edmonton on the Saskatchewan Embracing a Portion of the Northern Part of British Columbia and the Peace River Country, 1879," Geological Survey, Report of Progress, 1879-1880 (Montreal: Dawson Brothers, 1881), pp. 134B-135B.

[20] See, for example, Sandford Fleming, Report on Surveys and Preliminary Operations on the Canadian Pacific Railway up to January, 1877 (Ottawa: Maclean, Roger & Co., 1877), pp. 43, 203, 252, 228-34.

The federal government, intent on prospecting for coal only near the transcontinental route, did not explore areas farther south but here too the existence of coal was well known. Coal may have been found in the Canmore-Bankhead district as early as 1845 but definite reports did not come until later. In 1861 a group of gold-seekers, led by J.J. Healy, a Montana trader, discovered a rich seam of coal on the Waterton River.[21] Four years later George M. Dawson, a young geologist from Montreal, working with the International Boundary Survey, collected a number of mineral samples and determined that large coal seams underlay the treeless plains. As a result of subsequent research, Dawson published a report in 1875 which reaffirmed his earlier findings of an abundant supply of fuel in the far southwestern corner of the territories.[22]

The first commercial mine in the Northwest was opened in this area by Nicholas Sheran, an Irish Roman Catholic adventurer from New York. Sheran had fought with the emigré Irish Brigade during the Civil War and later suffered shipwreck in the Arctic and spent three years with the Eskimos. He moved to Montana in the late 1860s and worked for the Healy brothers, the whiskey runners and builders of several fortified trading posts, including the notorious Fort Whoop-Up, in what was then British territory. In 1870, roaming northwards into Canada in search of gold, he found instead coal at the junction of the Oldman and St. Mary's rivers. He produced some coal at this location but when the seam petered out in 1872 he moved to a richer site farther north on the west side of the Belly River at the base [illegible] Indian Battle Coulee, a spot called Sokohotoki (the place of black rocks) by the Indians and Coal Banks by the whites.[23] Sheran shipped coal from here to the North West Mounted Police posts at Fort Walsh and Macleod and later his mine also supplied the fuel-starved community of Fort Benton in Montana. In 1875, for example, T.C. Powers, a Benton merchant bought a load of coal from Sheran at five dollars per ton and transported it by bulltrain to Fort Benton where he sold it for twenty-five dollars a ton. This astronomical price, caused in part by the high cost of transportation, was still lower than the inferior Mississippi coal or cottonwood,[24] indicating the tremendous value of Alberta's coal deposits. In June 1882 an unfortunate accident ended Sheran's life; he drowned while ferrying Col. Macleod of the Mounted Police across the river at Fort Kipp. Sheran's brother Michael operated the mine until his death in 1885.

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[21] Berry, The Whoop-Up Trail, pp. 39-40.

[22] Warkentin, "Steppe, Desert and Empire," p. 124.

In 1879 Elliot Galt, the eldest son of Sir Alexander, on a tour of the Northwest as Assistant Indian Commissioner, visited Sheran's mine at Coal Banks and took with him a few samples of coal for further analysis. When the coal proved to be of superior quality, Elliot easily persuaded his father to try and organize a mining company to exploit this valuable resource. Sir Alexander, who had always been keenly interested in the development of the Northwest and whose personal financial position was precarious, shrewdly calculated that a colliery on the fuel-scarce prairies could prove to be an extremely profitable endeavour. The envisioned flood of settlers, accompanied by extensive railway networks and local industries, would be voracious consumers of energy; their demand for fuel would be so great that Galt could lightly dismiss any threat of competition from the recently opened coal mines on Vancouver Island. Since Belly River coal promised to be a lucrative investment, Sir Alexander launched an enthusiastic campaign to promote the exploitation of coal seams and throughout the winter of 1879-1880 he conferred with influential British businessmen in the search for capital to finance the project. At this time Galt had little capital of his own and thus financial backing was absolutely essential.

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[23] Jean Stafford-Kelly, "Early Days of Lethbridge from 1882," The Lethbridge Herald, July 11, 1935, pp. 83, 85.

[24] Sharp, Whoop-Up Country, p. 224.

III. Galt in London

Galt's entrepreneurial ambitions and diplomatic assignments were inseparably connected, for both activities were concerned with the exploitation of the abundant natural resources of western Canada. Not only was Galt interested in making a personal investment in the mineral resources of the Northwest but he also was responsible for the development of the soil resource. Since the utilization of the land required thousands of farmers, the matter of immigration was of crucial importance. Sir John A. Macdonald, who admired Galt's business skill and intellectual abilities, trusted him with the critical task of awakening the interest of British financial and government leaders in the settlement of western Canada. Only a tangible endorsement from these men could ever induce large numbers to leave Britain and accept the Canadian rather than the American West for their new homes. Without massive emigration from the British Isles, the national policies devised by the Conservative government would fail, and the tracks for the costly Pacific railway would rust. A large influx of settlers and a prosperous railway incidentally required huge amounts of coal and therefore the fate of Galt's planned coal mine was dependent to no small extent upon his success as High Commissioner.

Despite his personal interest in western settlement, Galt's first year in office was disappointing. The failure was due in some measure to his own attitude and lack of diplomatic tact. From the moment he arrived in London, in April 1880, he regretted the decision to accept the commissionership. The cost of moving and supporting his large family of seven daughters plus the rent of a large and prestigious house near Hyde Park were not fully covered by his salary; thus making it difficult for the parsimonious Galt to muster the buoyant enthusiasm so necessary for the salesman of western Canada.[25] His spirits were also dampened by the election just prior to his arrival which removed his political friends from office and swept Gladstone's Liberals into power. This was a serious setback because both Galt and the Canadian cabinet were Conservative. Clearly the situation demanded discreet action on Galt's part; instead, even though Gladstone was an avowed free trader, Galt was outspokenly in favour of an imperial preferential trade agreement; and, to make matters worse, he joined the Tory Club.

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[25] PAC, Galt Papers, Vol. 4, Galt to Macdonald, June 12, 1880. Galt's disposition probably was not improved when he was told to be careful with public expenditures because the Liberal opposition, opposed to his appointment, was watching him carefully. Ibid., Macpherson to Galt, May 2, 1880.

Galt also encountered a problem of protocol which not only hurt his ego but also hampered his effectiveness. Imperial officials clearly were reluctant to award diplomatic status to the High Commissioner of Canada, and throughout his entire stay in London Galt fought this issue partly to satisfy his pride, partly to enhance the stature of Canada, but mainly to increase his diplomatic influence. In a world where the slightest nuance in rank could either open or close doors, the relatively low position of Canada's representative curtailed his diplomatic activities. Galt, for example, carried out only erratic talks with Spanish and French representatives, in part because he wanted to make no commitments before securing a preferential trade agreement with Britain, but mainly because the United Kingdom herself was negotiating with these countries and claimed priority rights over the Dominion. This diplomatic inferiority rankled the sensitive Galt and the intentional slight became a frequent subject of angry letters to Macdonald.

Of smaller consequence, but nevertheless annoying for the temperamental Galt, was the question concerning his wife, Amy. Sir Alexander wanted her to be with him during his presentation to the Court but the laws of England still did not recognize the legality of marriage with a deceased wife's sister. Thus court officials declared that Lady Galt could not be presented to the Queen. In retaliation, Galt, always quickly angered, threatened to resign but personal intervention by the Prince of Wales and the fact that the marriage took place in the United States where such unions were legal resulted in a reversal of the edict. Both Galt and Lady Galt were presented to Queen Victoria and diplomatic embarrassment was adverted.[26]

These matters were mere trivialities to the Prime Minister. "The emigration matter is of more importance to Canada just now than any other aspect," he reminded Galt, "and it is therefore desirable that you should take direct charge of the question as a whole."[27] Macdonald gave the High Commissioner a free hand to reorganize the ineffective emigration office in London. Galt carried out this task quickly and thoroughly, placing the office on a "business-like" basis by hiring different emigration agents, publishing new pamphlets, writing articles for the press and generally carrying out publicity work.[28] In this area of reform Galt was very effective and he could have done little more with the resources at hand to present the opportunities offered by the Canadian prairies to the British public.

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[26] Creighton, Macdonald: Old Chieftain, pp. 289-90; 257-260. Skelton, Galt, pp. 257-60.

[27] PAC, Galt Papers, Vol. 4, Macdonald to Galt, May 26, 1880; see also May 13, 1880.

[28] Strangely the very politically conscious Galt seemed to forget a fundamental political rule when he asked permission to publish in London a number of foreign language pamphlets. He received a sharp rebuke from Macdonald's secretary Pope who wanted them printed in Canada for patronage purposes. "Now all those things are precisely those which we cannot do without." Ibid., Pope to Galt, December 22, 1880.

While Galt's reforms streamlined Canada's publicity campaign, his efforts had little impact upon the public mind; on the vital issue of large-scale emigration, Galt's labours were in vain. To prosper, the West needed a massive removal of entire families from the British Isles to Canada; this could only be achieved with the explicit approval and concrete support of the imperial government, but Galt made no headway with the Colonial Secretary, Lord Kimberley. Their first interview, in early June of 1880, was decidedly cool. "Most unsatisfactory interview with Colonial Minister respecting emigration," Galt cabled Macdonald in a coded message, "He holds out no expectation of assistance."[29] Galt, ever impatient with diplomatic niceties, requested permission to take the matter right to the Cabinet, a move firmly rejected by the politically more astute Macdonald, who understood the brusque character of the Colonial Secretary. Galt, unlike Macdonald, interpreted the unfriendly reception as the final answer and just a few months after taking office he impetuously submitted his resignation.[30]

Macdonald did not accept the resignation and in July he travelled to London himself, mainly to negotiate a contract for the Pacific railway but also to help Galt prepare plans for the settlement of the Northwest. The first objective was completed successfully with the signing, in October 1880, of an agreement with the Canadian Pacific Railway, a company headed by George Stephen, a Montreal banker. The conclusion of the negotiations aroused little interest in British financial circles, so initially the funds for the railway would have to come from Canadian investors. To aid the corporation with this enormous task, the Canadian government, which viewed the road as an indispensable part of the national policies, granted the railway generous subsidies, including twenty-five million acres of fertile land, a precedent to be followed by other western railways, including those of Galt. The policy of subsidizing the CPR virtually committed the government to a partnership with the company, an association which grew stronger with each crisis the company encountered; it was a link which demonstrated the deep commitment which Macdonald's administration had made to western settlement. The matter of immigration was Macdonald's second objective in London and the subject of a lengthy, confidential memorandum to the Colonial Secretary. The plan, not yet fully developed, envisioned the co-operation of the Canadian and British governments as well as the CPR in an effort to induce a large number of people to emigrate to western Canada. When he left to return to Canada Macdonald instructed Galt to complete the details of the program and to carry on the negotiations.[31]

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[29] PAC, Macdonald Papers, Vol. 217, Galt to Macdonald, June 7, 1880.

[30] PAC, Galt Papers, Vol. 4, Galt to Macdonald, June 20, 1880.

By the end of the year Galt had worked out a scheme for assisted Irish emigration. His plan called for the Canadian government to reserve for each family the regular homestead and pre-emption grants and, before their arrival, to build a small house as well as plow and seed a portion of the land. The expense of transportation advances and improvement cost was to be carried by the imperial government and paid back by the settler, interest-free for three years and at six percent for the remaining twenty-three years. In addition the Canadian government was to sell the pre-emption lands to create a fund which would eventually make the project self-perpetuating. While Galt did receive some token support in London for his proposals, he believed that he needed at least two years before he could implement the policy.[32]

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[31] Creighton, Macdonald: Old Chieftain, p. 111.

To assist Galt with this crucial and difficult task, the president of the CPR, George Stephen, travelled to London in December of 1880. His responsibility to the railway included not only the financial arrangement of the venture but also the promotion of emigration to the Northwest; thus he came to England to confer with influential friends and politicians in an attempt to devise a comprehensive scheme of mass emigration subsidized by the imperial government. Stephen's basic idea was a wholesale transplant of Irishmen to Canada, a plan he felt would not only help Canada but also alleviate much suffering in overpopulated Ireland. Theoretically, the proposal had considerable merit and so Stephen encountered enthusiastic responses from most of the politicians with whom he spoke; practically, the suggestion was dangerous, however, and no politicians promised to support it in Parliament. They were reluctant to act because the Irish would be hostile to any massive hemorrhage of their population.[33] Although Stephen became impatient with the passivity of the legislators, he, unlike Galt, remained confident of eventual success; when he left England in April 1881, after four months of fruitless talks on emigration, he dauntlessly planned to resume the negotiations in the fall. In his eyes the problem was basically the sluggishness of British officialdom. "It takes time to create anything in this slow moving country," he wrote to Macdonald but he remained confident that Prime Minister Gladstone would ultimately support an assisted emigration project.[34]

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[32] PAC, Macdonald Papers, Vol. 217, Galt to Macdonald, December 16, 1880.

[33] Creighton, Macdonald: Old Chieftain, p. 315; Heather Gilbert, Awakening Continent: The Life of Lord Mount Stephen, 1829-91, I (Aberdeen: Aberdeen University Press, 1965), p. 78.

Stephen's colleagues in London did not share his optimism. Sir John Rose, a former Canadian minister of finance but at this time an agent for Canada in London, thought that Stephen's hopes for an early resolution to the emigration question were unfounded. "I am much disappointed at the lukewarmness of the Government here in reference to Emigration," he confided to Macdonald, "The subject requires to be worked up and public opinion brought to bear on them."[35] Clearly much fundamental and foundational work remained before the British government would assist, and the public accept, large-scale emigration to Canada. This view was also shared by Sir Alexander Galt, who, early in 1881, advised Macdonald that Gladstone would not provide a "copper of public funds" to any Irish colonization scheme,[36] and so he emphasized a completely different arrangement.

Galt, still very much the entrepreneur, felt that private enterprise, motivated by the desire for profits, was the best solution to the emigration problem. He wanted to restore the system which had worked so well for him in the 1840s — the private land company, assisted however, at this time, by imperial subsidies.[37] One of the first persons he visited in London was Gillespie, the former chairman of the Canada Company, and suggested to him that the old company be re-established to take up several million acres of land in a remote but fertile region. The new company might, like the CPR, earn a substantial amount of the needed land by building a colonizing railway to its holdings and might be able to purchase the remaining land under the homestead regulations.[38] As a sop to the government, Galt proposed that the company should divide some of the lands into eighty-acre plots to support indigent families although some arrangement would have to be made for transportation and sustenance until the poor were self-sufficient.[39]

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[34] PAC, Macdonald Papers, Vol. 267, Stephen to Macdonald, April 7, 1881.

[35] Ibid., Vol. 259.248, Rose to Macdonald, March 24, 1881.

[36] Ibid., Vol. 218, Galt to Macdonald, January 4, 1881.

[37] Ibid., Vol. 217, Galt to Macdonald, May 20, 1880. This policy was in harmony with Macdonald's ideas and in December of 1881

Government reaction to the arrangement was generally favourable. Macdonald, while he vetoed Galt's suggestion that the company be granted solid blocks of land, did accept the broad principle of assisting a colonizing railway with land grants. He also warned Galt not to promise Gillespie any tax concessions because future municipal and provincial governments would have that prerogative.[40]

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regulations were issued to permit the establishment of colonization companies. For a discussion of this policy see André N. Lalonde, "Settlement in the North-West Territories by Colonization Companies, 1881-1891" (unpublished Ph.D. dissertation, Laval University, 1969).

[38] PAC, Macdonald Papers, Vol. 217, Galt to Macdonald, May 27, 1880. Galt was so confident of the ability of private enterprise to sell land that he suggested that Canada should buy out the Hudson's Bay Company lands for £500,000 in order to make a handsome profit on land sales.

[39] PAC, Galt Papers, Vol. 8, Supplemental, Galt to Macdonald, June 12, 1880. It seems rather strange that Galt felt that the poor could live on eighty acres of land while others needed at least 160 acres.

[40] _Ibid._, Macdonald to Galt, June 25, 1880.

An equally warm response came from Col. J.S. Dennis, Surveyor General of Canada, who believed that the planned railway would open up one of the most valuable land and timber areas in the territories.[41] Although the general location of the land company was determined, Gillespie, by the summer of 1881, had made no definite moves to implement the scheme.

Galt also spoke with the influential Thomas Brassey, one of the builders of the Grand Trunk Railway and thus an old friend of Sir Alexander. Brassey appeared willing to invest in an extensive railway and land project in the foothills region but, in June 1881, he backed out because, as he claimed, his financial resources were all tied up in the United States so that he had no funds left for western Canadian developments.[42] Although the financier wanted to be kept informed of happenings in the Northwest, he, like Gillespie, made no firm commitments and thus by the summer of 1881 Galt's policy had produced no tangible results.

Although the government accepted the broad principle of land companies as agents of western development, George Stephen had some serious reservations. In the back of his mind, Stephen, as president of the CPR, was naturally suspicious of any railway-settlement firm which would ultimately become a competitor of his own railway. He also distrusted the High Commissioner and former promoter of the Grand Trunk. Although he worked closely with him during his stay in London, he never fully respected Galt, disliked his moodiness and was offended by his reluctance to wholeheartedly support the Irish immigration plan. Stephen also suspected Galt's political loyalties, an increasingly sensitive question as Liberal opposition to the CPR was mounting. He confided to Macdonald, "I agree with you fully that there would be a possible danger in letting him drift into Blake's wigwam but that you and I will always be able to avert."[43] The CPR president, never the best judge of character, did accurately assess Galt's motives in proposing land companies when he wrote that the High Commissioner was "very anxious to strike something that will have the effect of opening the N.W. and at the same time do something for its investors and promoters."[44] Galt's entire career was mute testimony to Stephen's charge that his ideas were never far removed from the profit motive, yet Stephen, who himself was a profit-seeking businessman, was unduly fearful of the speculative potential of Galt's proposition. Stephen opposed the plan of permitting companies to buy land under the Homestead Act because they might hold onto the land until prices rose to lucrative heights and so he suggested that the land companies should buy the lands for at least five dollars an acre with the stipulation that they be settled speedily. "Far better ... to refuse such operations," he advised Macdonald, "It is settling not selling that we must aim at."[45] Not only was Stephen's position clouded by the fact that massive land sales at such a high price would automatically raise the value of the CPR grant, but his suspicions of speculative motives on the part of Galt were unfounded. Both Galt and Macdonald had concluded that any land agreement would include anti-speculation provisions for both men desired a rapid settlement of the Northwest, unhindered by land-holding speculators.[46]

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[41] Ibid., Dennis to Galt, December 8, 1880. From the evidence available it is impossible to tell where the lands were located, but from the description it was probably the foothills country.

[42] Ibid., Macdonald to Galt, December 8, 1880; and Ibid., Vol. 4, Brassey to Galt, June 23, 1881.

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[43] PAC, Macdonald Papers, Vol. 267, Stephen to Macdonald, April 7, 1881.

[44] Ibid., May 8, 1881.

[45] Ibid.

While Galt fully intended that businessmen, himself included, should profit from western development, his activities as High Commissioner were not entirely self-centered or aimed to benefit only the business community. In the winter of 1880-1881, when he was carrying out the tiresome negotiations for large-scale emigration, he was also involved in the revision of the Land Act and he made several suggestions to streamline the settlement process. One change, for example, would make it easier for settlers to borrow money for improvements using their land as security. Some of his amendments were incorporated into legislation by government officials who considered him to be an expert on immigration and land matters.[47]

In May of 1881 Macdonald once again sailed to England ostensibly for health reasons but also to confer with imperial authorities on emigration matters. He was armed with Galt's broad program of assisted Irish emigration designed, as Stephen put it, "to rope in" the British government.[48] Macdonald interviewed not only Kimberley, Gladstone and the Marquis of Lansdowne but also spoke with Irish landholders, and even the Irish church leader, Cardinal Manning. While he sought their support for a large movement of Irish to Canada on the assumption that such a mass migration would benefit both countries, he found little sympathy among any of them. All that Gladstone would concede was a small appropriation to assist Irish emigrants to any country of their choosing, hardly a concession to the Canadians. Macdonald was disappointed for with the approach of the summer season little more could be done until the fall.[49] The first attempt to gain assisted emigration had failed.

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[46] PAC, Galt Papers, Vol. 8, Supplemental, Macdonald to Galt, December 8, 1880.

[47] Ibid., Vol. 4, Dennis to Galt, February 16, 1881; and Ibid., Vol. 8, Supplemental, March 17, 1881.

[48] PAC, Macdonald Papers, Vol. 267, Stephen to Macdonald, May 5, 1881.

Galt was enraged at the perfunctory attitude of imperial officials and he resigned his post a second time. He had spent more than a year in a fruitless attempt to win imperial support for an assisted emigration scheme and in the process had become thoroughly disgusted with London and its society. A constant stream of letters to Macdonald fretted about the weather, his failing health, and the frustrating apathy among imperial officials. Above all he complained about the high cost of living in London: he grumbled that he was spending more on the High Commissionership than it paid and that he could not afford to make up the loss from his own means because he was suffering reverses in his unattended business concerns.[50] The Canadian government's refusal to incur additional expenditures on diplomacy and Macdonald's flippant suggestion that Galt reduce spending "and let the dignity of the office as far as hospitalities ect. are concerned go to the devil,"[51] only served to anger the High Commissioner. He impressed upon the Prime Minister that effective action depended upon personal contacts, chatting with influential men at their clubs, at dinners, or in his own home. Since he could not afford to entertain guests, he was refusing invitations from prominent officials and as a result he was no longer in touch with the policy makers. "You can get a hundred men quite as good as I am to sit in my office and write letters," he grumbled, "but if you ever expected real service from me, it could only be in the personal influences I could exercise in the circles referred to."[52] In sum, Galt wanted to return to private life and he even asked George Stephen for a position with the CPR.[53] Macdonald, who still had confidence in Galt's entrepreneurial skill, urged him to remain in London and promised him a summer trip to western Canada. While Galt did not withdraw the resignation, he accepted the western trip and reluctantly agreed to return to London in the fall to resume the negotiations. His family, however, would remain in Montreal.

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[49] Creighton, Macdonald: Old Chieftain, pp. 313-316.

[50] PAC, Galt Papers, Vol. 4, Galt to Macdonald, May 5, 1881. In one instance, Galt, J.G. Ross and John Torrance had invested in a heavily capitalized silver mine in California which demanded increasingly larger expenditures with very little returns. See Ibid., Vol. 8, Supplemental, Mulsten to Galt, February 17, July 9, 1881.

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[51] Ibid., Macdonald to Galt, February 27, 1881.

[52] Ibid., Galt to Macdonald, March 13, 1881. Galt's salary at the time was $10,000 plus the rent of his residence. In order to cut expenses he moved the emigration office into his home. Ibid., Instructions, dated May 20, 1880.

[53] PAC, Macdonald Papers, Vol. 267, Stephen to Macdonald, April 7, 1881.

IV. The CPR Route Change, 1881

Although geographical observations appear to be exact and scientific examinations of the environment, in actuality they are influenced to a large extent by personal observations. G.S. Dunbar writes, "... geography is what we perceive it to be, just as history is what historians make of it, so that geographies and histories are inevitably coloured by the individual experiences of the authors who create them."[54] The validity of this statement is illustrated by the changing perceptions of the southwestern prairies, an area sometimes called Palliser's triangle. Certainly Palliser's opinion of this southwestern region as basically arid in character did not go unchallenged. His image of a desert-like region, unsuited for cultivation was questioned by George M. Dawson, the young Montreal geologist who became intimately acquainted with the geographical characteristics of the southwestern corner of the plains. While he did admit in one report that the area was not as suitable for agriculture as the rest of the prairies, he emphatically asserted that, "the explorations in connection with the Boundary Survey have served to show, that this country, formerly considered almost absolutely desert, is not — with the exception of a limited area — of this character; that a part of it may be of future importance agriculturally, and that a great area is well suited for pastoral occupation and stock farming."[55] Dawson's conclusion would have lasting impact upon the development of this part of the plains because, by exposing a myth, he opened the way for a new interpretation of its geographical features.

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[54] Dunbar, "Isotherms and Politics," in Prairie Perspectives 2, p. 80.

[55] George M. Dawson, Report on the Geology and Resources of the Region in the Vicinity of the Forty-Ninth Parallel (Montreal, 1875), cited in Warkentin, "Steppe, Desert and Empire," in Prairie Perspectives 2, p. 124.

Dawson's favourable interpretation of the southwest was accepted and exaggerated by Professor John Macoun, a self-educated naturalist who became an enthusiastic, almost fanatic, supporter of the development of the southern prairies. Macoun, who visited the area during a wet cycle, came to believe in the fertility of the region.[56] His sweeping generalizations about the verdant vegetation and his outspoken denunciation of the reports of Palliser and Hind, brought about a reassessment of the southwestern prairies, especially among the builders of the CPR.[57] If, as Macoun claimed, the distinction between "fertile belt" and "desert" was false, then Sandford Fleming's choice of the railway's route based to some extent on Palliser's assessment of the plains, had to be re-evaluated and if desirable the route of the transcontinental changed.

As long as the projected CPR route followed the North Saskatchewan River, Sir Alexander Galt made little progress on his mining endeavour. Despite the potential of large profits, his plans found few supporters because of a number of seemingly insurmountable obstacles. How could any financier be convinced of the value of an unproven coal mine somewhere in the unpopulated Canadian Northwest? How could any investor be expected to risk his funds on a colliery more than three hundred miles from a railway which was only yet in the planning stages? The cost of a branch to the Pacific mainline was staggering and would never allow a colliery at Coal Banks to compete with mines west of or in Edmonton because the latter, situated on the transcontinental, would not be hampered by high transportation costs. The Canadian government had recognized this fact and therefore practically carried out no prospecting in the southern country. Thus in 1880 Galt's proposal appeared nebulous and premature; the development of Coal Banks coal would have to wait until settlement spilled south and westward from the railway along the valley of the North Saskatchewan.

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[56] Nelson, "Animals, Fire and Landscape," in Prairie Perspectives 2, pp. 63-79. Nelson suggests that the disappearance of the buffalo meant that the tall grasses, no longer grazed by the bison, had a chance to grow, leading observers in the late 1870s to conclude that the southwest was a very fertile region.

[57] Warkentin, "Steppe, Desert and Empire," in Prairie Perspectives 2, pp. 121-127.

In the spring of 1881 a small group of men, all prominent officials and promoters of the CPR, did change the proposed route of the railway. For various reasons the railway tycoons wanted a more southerly route and so Macoun's fervent presentation of the southern prairies as a region admirably suited for agricultural development and, therefore, an excellent route for the railway, provided a welcome justification for the change in plans.[58] The federal government agreed and thus the CPR did not follow the North Saskatchewan River but crossed instead the southern prairies.

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[58] The exact reasons for the change of route are not clear. For a discussion of the problem see F.G. Roe, "An Unsolved Problem in Canadian History," Annual Report, Canadian Historical Association, 1936, pp. 65-77; Pierre Berton, The Last Spike: The Great Railway, 1881-1885 (Toronto: McClelland and Stewart Limited, 1971), pp. 12-19; and G.P. de T. Glazebrook, A History of Transportation in Canada, II, Carleton Library, No. 12 (Toronto: McClelland and Stewart Limited, 1964), p. 275.

This relatively quick decision had a tremendous impact upon the future development of the Northwest because the stream of immigrants would no longer flow along the rivers but would follow instead the arteries of steel. The feverish growth along the North Saskatchewan, fueled by heavy speculation, suddenly cooled and communities like Battleford, Edmonton and Lac Ste. Anne either stagnated or withered. Attention shifted southward where new towns were being strung like beads along the tracks: Brandon, Regina, Moose Jaw, Medicine Hat, Calgary and Banff appeared like magic and prospered. As with the towns, the change in routes affected future coal mining enterprises in the Northwest. The high cost of transportation devalued the reserves west of Edmonton but at the same time it greatly increased the worth of southern coal. The spotlight of energy development shifted suddenly from the north and focussed on Coal Banks where a few lonely shacks, huddled together beside the Belly River, seemed lost on the expansive, open prairies. Sheran's "gopher hole" into the coal seams on the banks of the Belly took on a tremendous importance. So too did the various mining sites prudently reserved by Sir Alexander T. Galt.

Although the change in the transcontinental route increased the value of Galt's coal interests, he still needed considerable financial backing. The previous year's work, both as entrepreneur and as High Commissioner, had revealed a harsh truth to him as well as to other promoters in western Canada. Before the West could be settled in any extensive manner enormous sums of money were necessary, not only to subsidize immigration but to build railways, telegraphs, steamboats, to construct coal mines, lumber mills, brickyards, and to establish business firms, warehouses and retail stores. Canadians could provide much of the required funds themselves but large amounts of capital would have to be imported from outside the country; they, therefore, sought the support of British businessmen and the imperial government in their mission to exploit the bountiful resources of the plains. Even though these resources were incredibly rich and promised handsome returns on investments, the task of luring money to the Northwest had so far proved to be extremely difficult, mainly because of a lack of knowledge and enthusiasm in England for western Canada. Clearly the flow of capital to utilize the natural resources of the Northwest was not to be an automatic spill-over of excess money, but every investment dollar would have to be obtained through prolonged and often discouraging negotiations. In the coming year, Sir Alexander Galt would be given another opportunity as High Commissioner and as entrepreneur, to promote the possibilities of the Northwest.

CHAPTER FOUR

GALT AND THE DEVELOPMENT OF THE NORTHWEST

I. The Formation of the N.W.C.&N.Co., 1882

From 1881 to 1883 Sir Alexander Galt performed a curious dual function in the development of western Canada. On the one hand, he was involved as a diplomat with broad and public policies to utilize the abundant resources of the Canadian Northwest; on the other hand, he was active as an entrepreneur with specific and private plans to exploit the coal and land resources of southern Alberta. In his government assignment Galt failed but in his business endeavours he succeeded. While his suggestion for closer imperial bonds and assisted emigration was completely out of tune with the popular ideas of the times, his proposals for a coal and colonization company were perfectly in harmony with the needs of the day. Besides the timeliness of his personal enterprise, Galt's success as promoter can also be attributed to the status and influence he enjoyed as Canada's High Commissioner, a position he used to gain access to prominent financiers. At the time the intermixing of private and public business was acceptable and no one challenged the propriety of Galt's activities.

The change in the CPR's route removed a basic obstacle in Galt's plan for a colliery in southern Alberta. The problem of transporting the coal would be solved if he could find a suitable site somewhere along the main line. In order to determine the feasibility of mining a number of locations which he wanted to lease from the federal government,[1] Galt engaged Captain Nicholas Bryant, a mining engineer and operator of the Londonderry Iron Mines in Nova Scotia. Bryant travelled to the Northwest, probably in the fall of 1881, and reported that a cursory examination of the several spots indicated the presence of large quantities of usable coal.

Bryant's report was substantiated by the explorations of George M. Dawson working at this time for the Geological Survey of Canada. In the summer of 1881 Dawson discovered gigantic coal seams buried beneath the soil of most of southern Alberta. One particularly large deposit, later named the Belly Horizon, extended westward from Medicine Hat to the Rockies, increasing in quality from low-grade lignite at the Hat to a good bituminous coal at the St. Mary's and Belly rivers. In the south Dawson found excellent seams on the lower St. Mary's, the upper Belly River and at Pincher Creek; in the north he located coal at Blackfoot Crossing on the Bow River; and thus he concluded that the horizon stretched from the forty-ninth parallel at least eighty miles in a northwesterly direction to as far as the Bow River. Outcrops of the seam, which undulated slightly and varied in thickness from one to eighteen inches, could be seen in many places, outlined clearly on the river banks. At Coal Banks, for example, Dawson saw a four-foot thick seam and subsequent tests showed that this coal was an excellent lignite much superior in quality to Souris coal, capable of being used for coking and containing little water and other impurities.[2] Dawson continued his search the following summer and traced the coal layers to the Red Deer River, proving that the southwestern prairies were also very richly endowed with coal.[3]

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[1] PAC, Galt Papers, Vol. 4, Macdonald to Galt, February 19, 1881. At this time Macdonald promised that the government would grant him the coal lands at $2.00 per acre plus a royalty of fifteen cents an acre.

By the fall of 1881 Galt's proposals for a colliery in western Canada had become a viable project. Not only could he cite the glowing reports of Dawson and Bryant but he could also argue that a coal mine somewhere near the proposed transcontinental railway was a feasible and extremely lucrative proposition. Of still greater persuasive value were the stories emanating from the Northwest itself where real estate speculation, associated with all railway construction, sparked an economic boom and opened countless avenues for quick profits. Throughout the fall and winter of 1881 speculation fever raged in Winnipeg as the start of CPR construction grossly inflated prices, especially in real estate; the town was a carnival of land sales with men winning and losing fortunes amid the gaiety of easy money and bubbling champagne. Doubtlessly Galt told British investors how he personally had earned $15,000 on a number of Winnipeg lots which Elliot had bought and sold for him;[4] in fact, Elliot himself, intent on amassing $200,000, had already sold twelve of his own plots at a profit of $1,000 each.[5] The enormous expeditures of the railway company, which precipitated the sudden prosperity, generated limitless opportunities for those willing to risk their own and other people's money, but only a few shrewd and lucky investors managed to win a fortune in the frantic scramble for profit. This driving spirit, which placed great value on the accumulation of wealth and property, dominated western Canadian thinking and spilled over into central Canadian and British financial circles. Here a host of railway, steamboat, lumber mill, warehouse and land company schemes were hatched to take advantage of the promise of fabulous profits.[6]

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[2] George M. Dawson, "Preliminary Note on the Geology of the Bow and the Belly River Districts, North West Territory, with Special Reference to the Coal Deposits," Geological Survey of Canada (Montreal: Dawson Brothers, 1882), pp. 6-10.

[3] Canada, Geological Survey, Report of Progress, 1880-1882, p. 13.

[4] PAC, Galt Papers, Vol. 8, Supplemental, Galt to Lady Galt, March 1, 1882. C.J. Brydges, the Land Commissioner for the Hudson's Bay Company, had provided Galt with the description and evaluation of some real estate possibilities in Winnipeg in the fall of 1880. Ibid., Vol. 4, C.J. Brydges to Galt, October 13, 1880.

Galt worked hard that winter to create his mining company and he assembled a close-knit group of wealthy and influential individuals. The first two men whom Galt won over were William Lethbridge and William Henry Smith, partners in the large publishing firm of W.H. Smith. At the age of twenty-four William Smith, the son of a prosperous newspaper agent, had become a partner in his father's firm and he invited his friend Lethbridge to join him. The two, a remarkable pair of entrepreneurs, revitalized the news agency; they acquired a monopoly on booksales in virtually all the railway stations in England; and they conceived the idea of leasing blank station walls for advertising space. Lethbridge, soon a full partner, managed the business while Smith entered politics as a Conservative, serving one term as First Lord of the Admiralty.[7] The two promoters and Galt attracted another friend, William Ashmead-Bartlett Burdett-Coutts, an American residing in England, who had recently married Angela Burdett-Coutts, the richest heiress in England loved for her devotion to charities.[8] Although William Burdett-Coutts was financially independent, Galt had gained access to the very large and prestigious Coutts Bank. The high social and financial status of the three British investors meant that the new colliery was soundly backed and it also was a clear indication of the respect which Galt enjoyed in the london financial circles.

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[5] Ibid., March 4, 1882.

[6] Only a cursory glance through the Statutes of Canada, newspapers and magazines will give an idea of the multiplicity of proposals.

The four men each pledged £2,000 for the preliminary expenses of establishing the colliery and on April 25, 1882 they incorporated the North Western Coal and Navigation Company Limited (N.W.C.&N.Co.). Initially the company's assets comprised a share capital of £50,900 consisting of fifteen hundred shares at one hundred pounds each and nine deferred shares of one hundred pounds each for Galt and Lethbridge "for services rendered, liabilities undertaken and expenses incurred by them as founders of the Company".[9] The articles of association not only permitted the company to engage in all the activities associated with mining, lumbering and steamboating, but it also allowed it to build a town complex with houses, stores, churches, a school and hospital, and significantly, to promote or assist emigration to whatever lands the company might in the future possess. Clearly, Galt, who was after all in charge of encouraging emigration to Canada, recognized the possibility of this mining enterprise becoming a land and emigration company as well.

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[7] Dictionary of National Biography, Vol. XVIII, pp. 565-568; and PAC, Magrath Papers, Vol. 4, File 31.

[8] Dictionary of National Biography, Supplement, 1901-1911, pp. 259-266.

[9] Great Britain, Public Record Office, Articles of Association of the North Western Coal and Navigation Company, Limited, Document 2, April 25, 1882.

The first list of shareholders in the new company also included some prominent Canadians (see Appendix I). The most colourful of them was James Wellington Ross, a flamboyant real estate speculator, vice-president of the promising Portage, Westbourne and North-Western Railway[10] and a member of Parliament for Lisgar, Manitoba. Ross, a solicitor, had assembled a huge fortune in land, principally in the brand-new town of Brandon, during the heady days of the railway boom. He, like so many other western speculators, moved westward in advance of the CPR, amassing land along the right-of-way, selling at fabulous profits, and gaudily flaunting his newly acquired wealth. At the time of the colliery's incorporation, Ross suffered a temporary reversal as the great land sale staged by him in Edmonton fizzled and the Winnipeg land boom collapsed; he recovered quickly, however, and his name remained synonymous with land speculation.[11]

Other Canadian backers, while not as flashy as Ross, were nevertheless prominent and influential citizens with a considerable interest in western Canadian development. A long-standing friend of Galt, C.J. Brydges, the Land Commissioner of the Hudson's Bay Company, and his son Frederick, plus John Balsillie, also a high-ranking official of the company's land department, linked the N.W.C.&N.Co. with one of the largest landholding companies of western Canada, a connection which proved extremely useful in the future when Galt began to assemble lands in southern Alberta. Other investors tied the colliery into the Canadian banking and insurance world. James Gibbs Ross, a Scottish immigrant, had expanded his grocery business into a large lumbering and shipping firm. He was also the President of the Quebec Bank, a director of the Guarantee Company of North America, and in 1884 was named a Senator.[12] William Miller Ramsay, also a Scottish immigrant, was the manager for Canada Standard Life and a director for Molson's Bank. In addition, Ramsay had married into the wealthy Torrance family of Montreal merchants to which Galt was also related by marriage.[13] The striking characteristic of this group of Canadians was their lengthy mutual friendship with Galt and each other, a relationship which gave them considerable financial and political power.

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[10] This railway was soon to become the Manitoba and North West Railway.

[11] Berton, Last Spike, pp. 27-29, 59, 75-79; and J.K. Johnston, ed., The Canadian Directory of Parliament, 1867-1967 (Ottawa: Public Archives of Canada, 1968), p. 506.

From among these and other men the first board was chosen. Lethbridge was named the first president and Smith, Galt, Burdett-Coutts, and Ramsay were elected to the board as well as William Ford and Edward Crabb of London. In all, Galt had gathered together a powerful group of men who would insure that financially the colliery was backed solidly, a provision which proved to be the key to Galt's success in the isolated Northwest. While none of the original investors of the company could be considered first-ranking financiers in either country, they did have a close connection with the Canadian and

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[12] Johnson, Directory of Parliament, p. 508.

[13] Henry James Morgan, The Canadian Men and Women of the Time: A Handbook of Canadian Biography of Living Characters (Toronto: William Biggs, 1912), p. 926.

British financial élites; thus, when it became necessary to increase the capitalization of the company substantially, the largest and most prestigious British firms could be convinced to buy shares in the mines.

With the incorporation procedures completed, the company could move to obtain legal rights to a number of coal sites. This was relatively easy because the Dominion government, which controlled the natural resources of the Territories, was anxious to encourage the rapid development of the immense western Canadian coal reserves. The predominant attitude toward the mineral resource was dictated by two considerations — the belief in the abundancy of the coal resource and the urgent need for inexpensive energy. Dawson's enthusiastic reports left no doubt on the first point; the deposits were numerous. "The coal deposits have proved to be wide-spread and practically inexhaustible,"[14] he had written and he calculated that on the plains alone companies could mine a million tons of coal per year for three hundred years leaving still untouched the foothills reserves.[15] In fact, according to Dawson, the figures were so large that they were meaningless. Thus the terms "inexhaustible" and "limitless" became stock words in the optimistic reports of all government officials and the excited promoters of the territories saw no end to the resources of the Northwest.[16] The Canadian government, equally obsessed with western development, was delighted with the solution to the crucial fuel problem and Macdonald, who was also the Minister of the Interior, wrote in his annual report, "The supply of fuel for the use of settlers in the North-West Territories is a question having a very important bearing upon the development of that country."[17] Prairie coal would make the settlement of the prairies more feasible: it would warm the homes of pioneers and stoke the engines of the transcontinental trains. Since the Northwest contained an abundance of coal, stringent regulations, in Macdonald's opinion, were unnecessary and because government policy stressed rapid resource utilization, elaborate restrictions were undesirable. The key to the government's management of western Canadian resources was rapid development by privately-owned corporations unhindered in their undertakings by bureaucratic prescriptions.[18]

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[14] George M. Dawson, "Report on the Region in the Vicinity of the Bow and Belly Rivers, North West Territories," Geological Survey of Canada, Report of Progress, 1882-1884 (Ottawa: Dawson Brothers, 1884), p. 5C.

[15] Ibid., p. 127C-129C. By 1915 estimates of the coal reserves were still very optimistic; Alberta supposedly contained 1,072,627,400,000 tons of coal. These figures were reduced considerably by later reports. See, for example, Canada, Report of Royal Commission on Coal, August 1960 (Ottawa; Queen's Printer, 1960).

Early in 1881 the Dominion Land Act of 1879 was amended to give the federal cabinet the power to draft the coal-mining provisions. While the debate on concomitant amendments to the Act were hotly debated for several hours, the coal clauses received little attention,[19] an indication of the relative unimportance attached to the regulation of the industry. In December of 1881 the cabinet issued a few rules: essentially coal lands could be leased for twenty-four year periods at twenty-five cents an acre and a royalty of ten cents per ton of coal; active work had to be commenced within one year and actual mining operation within two years of taking up the lease; finally, no one was allowed to hold more than 320 acres of coal lands.[20] A minimum number of regulations were established to encourage maximum utilization of the coal reserves.

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[16] One example can be found in the Department of the Interior, Annual Report, 1882 (Ottawa: Maclean Roger & Co., 1883). The director of the Geological Survey wrote, "In any case, the evidence of the past season's work tends still further to confirm the opinion that the coal fields of the North-West may be regarded as practically inexhaustible."

[17] Canada, Department of the Interior, Annual Report, 1881 (Ottawa: Maclean, Rogers & Co., 1882), p. ix.

[18] Chester Martin, "Dominion Lands" Policy, ed. by Lewis H. Thomas, Carleton Library No. 69 (Toronto: McClelland and Stewart, org. ed. 1938, 1973), p. 191, argues that the mining regulations were developed in an empirical, trial and error fashion. While this is undoubtedly true, the basic underlying philosophy was one of facilitating the rapid development of the resources. The question of the return to the people was only given cursory consideration.

The lenient coal-mining regulations offended the conscientious Edward Blake, the leader of the opposition in the House of Commons. Echoing a habitual Liberal complaint, Blake deplored the lack of stringent controls on mineral development in the Northwest; he feared that large corporations would form a coal monopoly and thereby cheat the settlers out of inexpensive fuel. He introduced a motion in the House which would effectively tighten the provisions and prevent big companies from taking control over the richest seams. He argued that the development of the western coal resources on a competitive basis was already being stifled and he pointed out, for example, that, while the application filed by William Lethbridge covered no more than the legal 320 acres, the request was for four different sites comprised of undoubtedly the most valuable locations and probably located most conveniently to water transportation. Blake charged that it was "a mistake to put in one man's hands different areas in different places.... This is, in point of fact, the leasing of four separate coal areas and may be the erection of a practical coal monopoly of the coal supply there."[21] Blake merely used Lethbridge as an example of how the regulations could be evaded very easily. If Lethbridge could lease four different locations what would prevent any number of individuals in his company from each leasing a further scattered selection of 320 acres and thereby command all the coal reserves? Since an inexpensive fuel supply on the prairies was so crucial, Blake concluded that monopolistic control over the resources had to be prevented at all costs and in his motion he proposed that the valuable coal seams be advertized and short-term leases on small plots be sold by auction or tender.

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[19] Canada, House of Commons, Debates, March 14, 1881, pp. 1360-1400.

[20] Canada, Order in Council, December 17, 1881.

In reply to Blake's accusations, Sir John A. Macdonald tried to belittle the fears of fuel shortages, coal monopolies and high prices. First of all he pointed to the excellent reputation of William Lethbridge, so far the only serious applicant for a coal lease. "Mr. Lethbridge is a gentleman possessed of great wealth and of the highest standing, and he is resolved to push this industry, not as a matter of speculation, not to sell the mines, but to send out his labourers and overseers and to put steamers on the Saskatchewan to carry coal to market. There is no fear of monopoly in that market," he assured his listeners, "I would be glad if we could get others like Lethbridge here."[22] According to Macdonald, the coal resources of the Northwest were so vast as to preclude monopolistic control and he told the House that Dr. Alfred Selwyn, the director of the Geological Survey, thought it "absurd to ask for any royalty at all, that it [coal] is so plentiful it will have no special value, and that the land containing it should be sold as common agricultural land under the regulations for the sale of other farm lands so that the person who gets it may work the coal on his own estate without paying any royalty."[23] The Prime Minister smoothly echoed the boundless optimism of the day and exclaimed "... the supply is without limit, and, therefore, is of no special value."[24] He then went on to argue that undue competition and short-term leases would seriously hamper explorations in the remote and expansive territories where mining and marketing operations were very expensive, and that excessive government restrictions would choke off future mining enterprises. Government regulations, for instance, had delayed the Lethbridge plan for one year already and more stringent controls might kill the project altogether.

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[21] Canada, House of Commons, Debates, March 27, 1882.

[22] Ibid., p. 563.

Blake did not appreciate Macdonald's cavalier attitude and, in reply to Macdonald, he once again voiced his concern that the settler would be the loser of a lax mineral-resource policy. His incisive mind grasped a glaring inconsistency in Macdonald's two-fold argument, and not without some sarcasm, he pointed out,

> With one breath he tells us that the country is one mass of coal lands, that you could not walk over it without finding coal land, every man had a coal mine on his farm. (Macdonald interrupts: 'In the ore country.') The honourable gentleman then went on to say that even if a coal mine

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[23] _Ibid_.

[24] _Ibid_.

> should be found, experienced coal miners would have to be sent out in a proper way at great expense, that it would take whole summer [*sic*] to work, and examine and ferret over the land, and if you did hit upon a coal mine, you were so deserving of commendation for your discovery, your expense, and the trouble you have gone to, that I almost expected him one moment to say that we ought to give him a handsome premium for finding the coal mine, and give him the coal mine into the bargain.[25]

Blake's motion was defeated.

The debate clearly established the position of the government and opposition parties. Both agreed that the royalties were set high enough because for some time the market for western coal would be confined to the region and thus the settlers would ultimately pay the tax. The basic disagreement arose over the control of the industry: the government, anxious to develop the Northwest, was willing to make generous concessions to private industry in order to encourage the utilization of the abundant resource; the opposition, concerned about the individual settler, opposed lax restrictions for fear large corporations would monopolize the extractive industry.

That Blake's fear was not entirely groundless became apparent that summer as four directors of the N.W.C.&N.Co. each applied for separate mining leases. Originally Lethbridge, as Blake had pointed out in his speech, had applied for mining leases of eighty acres each at four different locations, two at Coal Banks (modern Lethbridge), one at Woodpecker, and one at Blackfoot Crossing. In June Alexander Galt petitioned the cabinet to separate the application and accordingly one site each was granted to Lethbridge, Smith, Burdett-Coutts and

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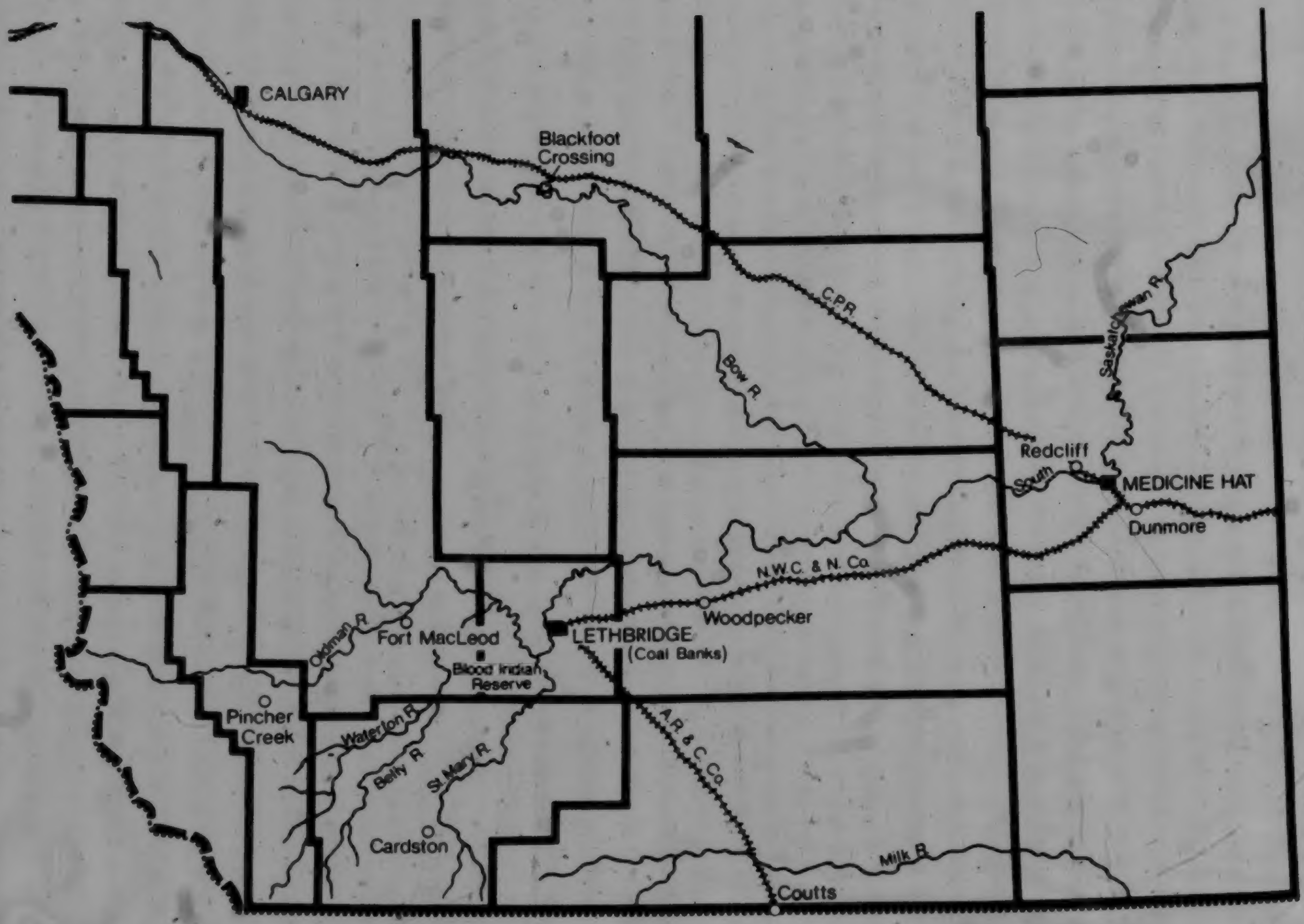
[25] *Ibid.*, p. 564.


CALGARY
Blackfoot Crossing
C.P.R.
Bow R.
Saskatchewan R.
Redcliff
South
MEDICINE HAT
Dunmore
N.W.C. & N. Co.
Woodpecker
Oldman R.
Fort MacLeod
LETHBRIDGE
(Coal Banks)
Blood Indian Reserve
Pincher Creek
Waterton R.
Belly R.
St Mary R.
Cardston
A.R. & C. Co.
Milk R.
Coutts

The Lethbridge Area, 1890

Bompas. Although only one order in council embraced all four applications, the size of each lease was increased to 320 acres,[26] clearly violating the spirit of the regulations. In addition Galt in a second application requested another 320 acres near Grassy Lake, just south of the junction of the Bow and Belly rivers.[27] To be sure, the company did not lease these lands for speculation purposes for, with the legalities out of the way, the N.W.C.&N.Co. proceeded to develop its properties and in the summer of 1882 a crew was sent out to determine the best location for the first colliery. Yet, even though the directors of the N.W.C.&N.Co.[28] had by no means tied up all the coal seams in the Northwest, the threat of the coal monopoly which Blake feared, was potentially real.

The tactics of the N.W.C.&N.Co. did spur the federal government into tightening its regulations. In order to prevent leasers from combining into large companies to tie up vast tracts of coal lands and thereby reduce government revenue, Macdonald recommended to his cabinet that the leasing policy be ended. Accordingly, the cabinet approved a regulation which set aside from public sale and settlement a number of valuable coal areas which were also close to transportation facilities. The first four areas so designated were on the Souris, Bow, Belly and Saskatchewan rivers. The coal lands, totalling about seventy-five townships, would be surveyed as soon as possible and the coal sites sold by tender or public auction, but, contrary to Blake's suggestion, the Minister of the Interior retained the right to sell lands at any price at pleasure. Lastly, a provision was included for those who already possessed leases to convert these into free-holds at a price to be determined by the Minister of the Interior.[29]

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[26] Canada, Order in Council, June 30, 1882. Each coal lease included the right to purchase 320 acres of adjoining farm lands.

[27] Canada, Order in Council, June 30, 1882.

[28] Galt had written Macdonald earlier in the year that all five locations would be explored by the company which would select the best one or two sites and discard the remainder. He thought that his own site was the most favourable because of its proximity to the Bow River, a good river for navigation. PAC, Macdonald Papers, Vol. 219, Galt to Macdonald, February 11, 1882.

The government had moved ostensibly to fill a gap in its regulations; whether the change was an improvement is questionable. Royalties were abolished entirely. The government, through the mechanism of sales, could control the allocation of coal seams, but it did not specify the amount of coal land any company could buy, nor its price; thus the government could grant special concessions to individual corporations, something it eventually did in the case of the Lethbridge holdings. Lastly, because the sites were sold without a minimum time limit being placed on the start of development, certain valuable coal lands were alienated from the Crown and the public lost its control over the utilization of this natural resource.

II. The High Commissionership, 1881-1882

At the time that Galt was engaged with the establishment of the N.W.C.&N.Co. and the arrangements for the mining leases, he was also busy with his task as High Commissioner. On the surface the potential for success was greater than the year before. The Manitoba land boom, so closely associated with railway construction, had lured thousands of settlers to the province and its population increased dramatically.[30] The land mania proved that the CPR could draw immigrants and that the railway would make the plains feasible for settlement. But not enough settlers were coming and the expansive prairies still needed thousands of farmers, labourers and businessmen.[31] Unfortunately Galt's second year in office would be little more successful than his first. His lack of enthusiasm certainly hurt the cause, as did his conflict with George Stephen of the CPR, but basically Galt failed because his ideas were out of step with the feelings of the time. Still a visionary, preoccupied with broad concepts, Galt wanted to extend the principles of Canada's national policies to the whole empire, meaning commercial and political union through preferential trade agreements and a federated parliament. As with Macdonald's program, the Northwest was the kingpin in Galt's scheme because he believed that this vast, still empty expanse could house the surplus population of the British Isles and relieve that nation of the burden of massive food importations. Consequently, according to Galt, Great Britain had as large an interest in western development as Canada, and thus logically it should help to finance the two key projects, the CPR and subsidized emigration.[32] The grandiose plan appealed neither to

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[29] Canada, Order in Council, December 21, 1882.

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[30] Canada, Census of 1881, IV, p. 181, shows that the population of Manitoba rose from 18,995 in 1871 to 65,854 in 1881.

[31] In 1881 the population of the entire North West Territories stood at 56,446, a smaller population than that of Manitoba. See Canada, Census of 1881, IV, p. 2.

[32] While Galt did not refer to the National Policy specifically, he did outline the details of his imperial program in a lengthy letter to Macdonald. See PAC, Macdonald Papers, Vol. 217, Galt to Macdonald, February 25, 1880.

Canadian nor British leaders and any hope of closer co-operation was dampened by the lack of cordiality between the two governments, especially on the part of Britain. Without a warm understanding for Canada's aims, the delicate and complex arrangements for such projects as assisted Irish emigration could not be worked out.

Galt's personal attitude certainly contributed to his failure. After he returned to London, in the fall of 1881, from an inspection tour of the Northwest, he wrote Macdonald that he had resumed the talks with the Colonial Secretary, Lord Kimberley, but he also shocked the Prime Minister by admitting that he would take the protectionist side in the current academic debate being waged in Britain on "free" as opposed to "fair" trade.[33] Macdonald was alarmed, and rightly so, because Galt was Canada's official representative in Britain and surely the free trade government of Gladstone would consider remarks made by the High Commissioner as an implied criticism of domestic policy. Macdonald, furious that the impetuous Galt could not understand the delicate position of a diplomat in a foreign country, rebuked him, but reprimands never stopped Galt from voicing his wish for preferential trade agreements within the empire.

Meanwhile Galt continued his endeavours to encourage large corporations to buy and settle lands in the Northwest. He periodically revealed such schemes to Macdonald and asked for special concessions which were routinely dismissed because the government refused to change its homestead policy in favour of selling large solid blocks of land to colonization companies.[34] One of Galt's projects was successful, as the Rothschilds agreed to subsidize a Jewish colony near Moosomin, Saskatchewan. Galt personally was not keen on a large influx of Jewish settlers into Canada, but because they were mainly farmers and mechanics and because they would go to the United States instead, he overcame his prejudice and convinced them to come to Canada.[35] Apart from this group, Galt dealt mainly with individual settlers[36] and the flow of immigrants remained relatively small.

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[33] Creighton, Macdonald: Old Chieftain, p. 328.

Early in 1882 George Stephen, the president of the CPR, once again travelled to England to help Galt win government support for Irish emigration. To him it was a simple matter: the great agricultural depression and the unavailability of more fertile lands caused widespread destitution and starvation in Ireland while across the Atlantic millions of acres of fertile Northwestern lands lay awaiting the farmer's plow. The violence and distress in Ireland could be remedied by siphoning off the surplus population.[37] Stephen's proposals once again found little support among British politicians.

By February 1882 Galt was so discouraged by the lack of progress that he resigned once again. He informed Macdonald that Lord

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[34] PAC, Macdonald Papers, Vol. 219, Galt to Macdonald, February 13, 1882. The government chose instead to sell the colonization companies the odd-numbered sections within townships at least twenty-four miles north of the CPR. See Lalonde, "Colonization Companies," p. 3.

[35] PAC, Macdonald Papers, Vol. 219, Galt to Macdonald, February 11, 1882.

[36] PAC, Galt Papers, Vol. 7, Galt to Lady Galt, March 14, 1882.

[37] Creighton, Macdonald: Old Chieftain, pp. 329-331; Gilbert, Stephen, p. 94.

Lansdowne, an influential Irish landlord and soon to be Governor-General of Canada, held out little hope for a scheme of assisted Irish emigration to Canada considering the deteriorating relationship between Ireland and the imperial government. Galt felt impotent to bring about a change and he grumbled that the British reluctance to award proper diplomatic status greatly curtailed his effectiveness.[38] He informed Macdonald that there was little to hold him in London; the emigration matters were so minor they could be handled by a clerk and the French and Spanish negotiations could easily await his successor. The thrust of Galt's complaint was not the lack of public business, however, but the high cost of serving his country. In the confidential and "personal request to go home", addressed to Macdonald, Galt confided that his business affairs were suffering and he needed to resign in order to tend to them properly. "I want to go to the North West country this summer and my land interests in Montreal demand that I should be there in April," he wrote Macdonald and lamented, "All my own matters seem to go to the bad when I am away which is a good reason for going back."[39] Galt also suffered from chronic ill health which he attributed to the London climate. In sum, the High Commisionership had given Galt no pleasure but only worry and anxiety and he concluded, "I have been now in office for two years and I cannot truly say that I have had a happy time."[40] He longed to return to Canada and immerse himself in the familiar business world, to tend to his personal affairs, especially his coal mine and possible land company.

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[38] Galt claimed, not very convincingly, that he personally did not desire the proper recognition. "As far as Canada is concerned I resent it. But for myself it is nothing." PAC, Macdonald Papers, Vol. 219, February 7, 1882.

[39] Ibid.

[40] Ibid.

Macdonald in a lengthy letter argued against Galt's resignation. He pointed out that the utility of the High Commissionership was just beginning and thus the credit for many of the foundational efforts which Galt had expended would be given to someone else. Macdonald then listed a number of items initiated by Galt which, if he resigned, would be finished by his successor. As the treaty talks between England and France and Spain were beginning to falter, a Canadian had to be close at hand to interpret the results and look after Canada's interests; the upcoming fisheries conference in London required a skilled and experienced man like Galt. Furthermore, Macdonald pointed out that the Jewish emigration scheme was a real achievement because the Rothschilds had always been hostile to Canada. He added, "I should prefer you to write another epistle to the Hebrews, rather than a newcomer."[41] Lastly he informed Galt that the plans to send Archbishop Lynch of Toronto to visit Britain in order to stir up interest among the Irish hierachy for the emigration scheme were finalized. Surely Lynch's visit would bring results and possibly a million Irishmen would come to Canada. "Obtain it [Irish emigration], and you are King of the Northwest,"[42] he promised Galt. Thus, by appealing to his vanity, the wily Macdonald successfully persuaded Galt to remain at his post; he also granted him permission to visit Canada and the Northwest to tend to his personal interests.

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[41] Pope, Macdonald Correspondence, Macdonald to Galt, February 26, 1882, p. 286.

[42] Ibid.

As he mentioned to Galt, Macdonald had persuaded Archbishop Lynch of Toronto to visit England and Ireland in an attempt to arouse support for Irish emigration. Since the direct approach to government officials had failed, the Prime Minister this time planned to approach the church hierarchy in the hope that they would be willing to exert pressure on both the public and government officials. Such hopes were not entirely unrealistic for Galt had interviewed Cardinal Manning, the head of the Irish Roman Catholic Church, and learned that the Cardinal feared a large drain of the Irish population to Canada but felt that such a movement was inevitable and so agreed with Galt that Canada was the most desirable place for them to go. Manning, therefore, agreed to accompany Lynch to Ireland to visit the various bishops.[43]

Lynch commenced the expensive publicity tour late in February, a visit arranged impeccably by Galt, but nevertheless an effort which was futile. While Lynch was satisfied with the meetings he had with various people and believed that Gladstone would never refuse his requests for assisted emigration, Galt felt that the Bishop was too optimistic. "I must report that I fear he is sanguine," he confided to Macdonald but he also conceded, "Still it is a great favor for the future to hear these men openly identified with emigration to Canada."[44] Support from the Irish clergy for a plan to remove a large segment of their parishioners was unlikely, especially at a time when Irish discontent was at a fever pitch.

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[43] PAC, Macdonald Papers, Vol. 219, Galt to Macdonald, February 11, 1882.

[44] Ibid., April 27, 1882.

Of greater consequence to Lynch's undertaking was a diplomatic blunder committed by Sir John A. Macdonald. In mid-April Galt arranged an interview for Lynch with the Colonial Secretary, Lord Kimberley to talk about an imperial loan for an assisted emigration scheme. The reception was decidedly cool and when the negotiations reached an impasse, Kimberley asked Lynch to wait outside his office while Galt remained behind. He then read to Galt a speech which Macdonald had made in the Canadian House of Commons in reply to a motion, spawned by the strongly unified Irish voice in Canada, condemning imperial policies in Ireland and advocating Home Rule. While Macdonald had watered down the resolutions considerably, he did allow the measure to pass simply because of the formidable strength of the Irish vote in Canada.[45] Kimberley expressed great displeasure at the obvious interference in British domestic affairs by a mere colonial government and he informed Galt that the Cabinet, not yet informed of the resolution, would be very angry at Macdonald's blatantly political action. Galt tried to soothe Kimberley's wrath but to little avail.[46] The resolution could not have come at a more unfortunate time as a few days later the Chief Secretary for Ireland and his assistant were brutally assassinated by some Irish extremists. The meeting which Bishop Lynch wanted with Gladstone had to be postponed indefinitely and Galt decided to remain in London a while and try to salvage Lynch's torpedoed mission. "I may feel it my duty to remain longer here," he informed Macdonald, "I shall in this respect do what I think the public interest demands though I shall be very reluctant to put off my departure."[47] The Irish resolution had seriously damaged the emigration plan.

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[45] Creighton, Macdonald: Old Chieftain, pp. 333-334.

[46] PAC, Macdonald Papers, Vol. 219, Galt to Macdonald, April 27, 1882.

Another obstacle to progress was the ruthless propaganda campaign aimed directly at the CPR. Behind the barrage of invectives was a competitive struggle between the CPR and Grand Trunk Railway. The CPR provoked the fight because to become economically viable, the company needed to extend its western network of tracks to the industrial centres of Canada and possibly the United States. Through a complex series of purchases and mergers the CPR gained control over a number of Quebec and Ontario railways and in doing so violated the Grand Trunk's sphere of influence. The older railway launched a bitterly vindictive action against the CPR hoping to destroy its credibility in the British financial world.[48]

Late in the fall of 1881 the first anti-CPR pamphlets began to appear and by the summer of 1882 the crusade to discredit the transcontinental was in full swing. One English periodical, called *Truth*, edited by a Henry Labouchère, regularly featured unfavourable reports on the Northwest; on one occasion, for example, an article claimed Canada was a frozen wilderness and it advised investors to more profitably invest in icebergs. According to the insinuations Canada's railway boom was a fraud and the "bubble" would soon burst. In essence the caustic verbal attacks claimed that both the CPR and the Canadian government would go bankrupt in their foolish attempt to build a railway across the frozen Canadian Shield, the desolate prairies and the impenetrable Rocky Mountains. The taunting remarks implied, therefore, that the railway was not only secured by barren lands but it would never be completed, making the land grant completely worthless.[49] The vicious circular arguments, supported by the Grand Trunk, soured the relationship between Galt and Stephen at a time when hearty co-operation was so essential.

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[47] Ibid.

[48] Creighton, Macdonald: Old Chieftain, p. 330; Gilbert, Stephen, pp. 110-123.

At first Stephen did not think that the unfavourable propaganda would hurt the CPR, as its position in the spring of 1882 was quite satisfactory. A bond issue for sale in Montreal had hardly been affected by the caustic remarks and a good number of Englishmen had purchased the securities. Furthermore, Stephen was confident that he did not need to appeal for funds on the English money market. Thus Stephen could say that the propaganda fight might awaken British interest in Canadian affairs. Stephen's biggest complaint during this period was not the virulent denunciations of the Northwest published by his opponents, but the frustrating apathy of the British toward Canadian affairs in general and western Canada in particular.[50]

The most unfortunate results of the propaganda campaign at this time was its effect upon the relationship of Galt and Stephen. The latter tended to see matters strictly as black and white and, because he considered the Grand Trunk to be his enemy, he mistrusted Galt who had a long-standing connection with that railway and its powerful financial backers the Baring Brothers and Glyn Mill. In a long and angry letter to Macdonald, Stephen implied that Galt was still in league with the Grand Trunk and was scared of losing his position because that company had gone too far in publishing a series of especially vitriolic pamphlets under the pseudonyms of "Diogenes" and "Ishmael".

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[49] Berton, Last Spike, pp. 34-38; Gilbert, Stephen, pp. 84-85.

[50] Gilbert, Stephen, pp. 95-97.

> The Diogenes pamphlet had evidently scared him [Galt].... Galt's simulated anxiety lest we should find ourselves short is wasted. The disreputable method adopted by the Grand Trunk scribblers to discredit the country, the Governor-General and the C.P.R. company, will end in nothing but mischief to the G.T.R. Galt having done his friends, Barings [and] Glyn, a service and placed himself under obligation to them and the G.T.R., it is not to be expected he would be mildly agitated if we got him into trouble.[51]

George Stephen was also aggrieved because Galt had suggested in public that the CPR would eventually have to come to London for funds. Since Stephen had no intention of doing so, he was deeply offended by the attack on his financial prognosis. "As to his judgment in our financial arrangements ... it is simply an impertinence for him ... to say that _he_ forsooth, _thinks_ we are _mistaken_ if we do not need to come to London for money," he wrote Macdonald, "What does he know about it? ... It makes me mad to have a fellow pretending to advise us for our own good who would gladly see us both busted."[52] Unfortunately for Stephen, in the end, it was Galt's position which was proven correct.

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[51] PAC, Macdonald Papers, Vol. 267, Stephen to Macdonald, January 11, 1882.

[52] _Ibid_.

Stephen's assessment of Galt was incorrect and even unfair. To be sure Galt had openly criticized the CPR because he believed the route north of Lake Superior to be a foolish waste of money and energy. According to Galt, for the railway to be economically feasible, it should avoid the Canadian Shield and connect with an American road somewhere west of Thunder Bay. This was honest criticism, not animosity. Stephen could not accept such a variant opinion and in reply to Macdonald's attempt to soothe him, he wrote, "I agree with what you say about Galt but in regard to us, individually, he is controlled by another element of his character ... envy ...."[53] To some extent, Stephen had made a telling remark, for surely part of Galt's coolness toward the CPR must have stemmed from resentment for not being a part of the venture. Ever since Confederation he had wanted to be part of the Pacific railway plans one way or another but he had never been successful. To Galt, railway building and land speculation were more exciting and profitable than diplomacy. In sum, Galt may not have been enthusiastic about the CPR but he was never antagonistic; there is no evidence to suggest he ever maliciously tried to hurt the railway's aims. Stephen, in fact, pointed to the interest Galt had in the success of the CPR. "He [Galt] would like to see the CPR a success for the sake of the venture he has embarked in."[54] Surely the railway would become the largest consumer of Galt's coal as would the settlers attracted by the railway; therefore, it was absurd for Stephen to believe that Galt wanted to damage the image of the CPR and the

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[53] Ibid., January 13, 1882, cited in Berton, Last Spike, p. 39.

[54] Ibid.

Northwest. The silly quarrel between the two men not only hampered their effectiveness in promoting an assisted emigration plan but it also had a detrimental effect upon Galt's western enterprises which were heavily dependent upon the rail services to be provided by the CPR. Such bickering among Canadian leaders did not aid the emigration plans but only augmented the negative influence of the Grand Trunk's hostile publicity. Yet neither conflict made any great impact upon the British mind; perhaps if the people concerned with Canadian affairs had combined talents and enthusiasm they might have captured the public imagination and triggered a flood of emigrants. At the same time any thoughts about assisted emigration had to be put aside for some time, for the diplomatic errors committed by Galt and Macdonald had increased the tensions between Canada and Great Britain. Without a cordial understanding of Canadian needs, the British government could not be expected to assist emigration to Canada, especially Irish emigration at a time when a bloody revolution threatened to erupt in Ireland against England. Thus by the summer of 1882 little gain had been made by the High Commissioner and he longed to return to Canada.

III. Galt in the Northwest, 1882

Sir Alexander Galt had to curb his desires to return to Canada because the press of official business and recurring bouts of illness kept him in London until mid-summer. In the meantime, he authorized Captain Nicholas Bryant, who had visited the coal properties in the Northwest the previous year, to hire a small party to prospect and commence development work on the location during the summer. Since his expertise covered iron rather than coal-mining techniques, Bryant persuaded William Stafford of the Acadia Coal Company in Westville, Nova Scotia, to accompany him as a consultant to help evaluate the various mining leases and to recommend which site should be the first to be developed.

Late in May 1882 Bryant, his wife and daughter, two male cousins and a nephew, plus Stafford and his son, left Nova Scotia on the long and difficult journey to the far end of the Canadian plains. The party arrived in Montreal on May 24 and proceeded by way of Toronto, Chicago and St. Paul to Bismarck, South Dakota. Here they boarded a small, crowded river boat and slowly steamed up the Missouri to Fort Benton, arriving there on the fourth of July. After having purchased provisions, cooking and camping equipment, buffalo robes for blankets, and a team of horses with a wagon, the group followed the Whoop-Up trail northward into Canada. They camped one night near Sheran's mine but, since Blackfoot Crossing, about fifty miles east of Calgary, was the favourite site, they did not linger at Coal Banks but continued northward.[55]

Throughout the summer and fall, Bryant and his helpers explored the Bow and Saskatchewan rivers as far east as Medicine Hat. Since the N.W.C.&N.Co. wanted to commence operations as close to the CPR main line as possible, the men spent an entire month digging three test audits at Blackfood Crossing but, to their disappointment, the coal was dirty, slow to ignite and crumbled badly when exposed to air.[56] At Grassy Lake, the plot leased in Galt's name, the coal was too soft and the mine roof dangerously unstable. At Horseshoe Bend (modern Barnwell) conditions were found to be similar to the other two locations.[57] Three out of the five sites which the company leased were clearly unsuitable for economic exploitation.

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[55] The account of this trip is taken from the reminiscences of a daughter of William Stafford. See Stafford-Kelly, "Early Days in Lethbridge," p. 83.

Meanwhile William Stafford erected a portable saw mill at the company's timber limit near Beaver Creek in the Porcupine Hills about thirty miles northwest of Fort Macleod.[58] Stafford hauled the heavy cutting machinery from Fort Benton with the company's own bull team[59] and, after he had assembled the saw mill, began to cut the enormous quantities of wood needed for the mining operations and the projected townsite. In addition, the mill for some years supplied lumber to Fort Macleod.[60] By retaining control over its own supply of timber and means of transportation, the N.W.C.&N.Co. not only realized considerable savings but revealed its intention to manage as many facets of its operations as possible.

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[56] The Fort Macleod Gazette, August 14, 1882.

[57] PAC, Magrath Papers, Vol. 7, File 30; and The Lethbridge News, January 9, 1891.

[58] Canada, Department of the Interior, Annual Report, 1882 (Ottawa: Maclean, Rogers & Co., 1883), p. 136; and The Fort Macleod Gazette, September 14, 1882.

[59] The Fort Macleod Gazette, September 14, 1882.

[60] Ibid., December 4, 14, 1882. The bull team of the N.W.C.&N.Co. and those of Lavasseur hauled 5,000 board feet for the police, 2,500 for the Roman Catholic Church, and some for private use.

Although a sudden bout of sickness almost prevented Galt's western trip, he did cross the ocean in July. The first stop was Montreal where he tended to some of his deteriorating business affairs. He also conferred with CPR officials in order to establish a firm rate for transporting the heavy mining equipment to the western end-of-steel. The CPR, perhaps at Stephen's urgings, was playing a shrewd game and Galt complained to Macdonald,

> The C.P.R. have for the moment blocked Lethbridge and my plan about the coal by refusing to name a rate for transport. We dare not get our friends here into an expenditure of £30,000 to £40,000 and then find ourselves at the mercy of the Railway.[61]

Galt met with Stephen and several other CPR officials and apparently worked out a rate for transporting colliery machinery westward and coal eastward to market. According to a letter he wrote to Macdonald, Galt also talked with Stephen about colonization problems and land regulations and the two men agreed that the government had to work out a good, rigidly enforced land policy which would lead to a rapid settlement of the plains.[62] Galt, on Stephen's behalf, urged Macdonald to settle the CPR land grant which appeared stalled by bureaucratic and political delaying tactics. From this letter, it appears that relations between Stephen and Galt at this time were fairly cordial.

Early in August Galt, accompanied by his son Elliot and a relative (Aleck Galt), C.J. Brydges, plus a Hudson's Bay Company surveyor, reached the prairies. The party travelled by CPR as far as the Assiniboine River and then trekked the remaining seven hundred miles across the desolate prairies by buckboard. The trip was difficult and tiring for the sixty-six year old Galt; he caught a severe cold and almost turned back.[63] "Our journey across the plains was rather monotonous," Galt complained to his wife, "Not a tree for hundreds of miles — great scarcity of water and firewood."[64] At the end of the month the men arrived at Blackfoot Crossing, an Indian village of about 2,500 people.

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[61] PAC, Macdonald Papers, Vol. 219, Galt to Macdonald, February 7, 1882.

[62] Ibid., August 12, 1882. Galt recommended that no large grants be made to large corporations until proper regulations were drawn up, this restriction would apply to his own company as well. See Ibid.

The main objective of the trip had been reached because Blackfoot Crossing, located on the projected main line of the CPR, would be an ideal location for a coal mine, that is, as far as transportation was concerned. Galt was pleased with the progress the small crew had made with the preliminaries.[65] He and C.J. Brydges also inspected the surrounding countryside because they, and a group of Canadian and British investors, were interested in establishing a million-acre land and colonization company. They wanted the land to be near the coal properties and the CPR, although the group did plan to earn some of its land by building a branch line from the transcontinental. One attractive feature of the plan, borrowed from Galt's experience with the British American Land Company, would allow settlers to combine farming with railway construction and mining works.[66] The projects were not realized, however: on the one hand, Galt agreed with Bryant that the quality of the coal at Blackfoot Crossing did not warrant expensive colliery equipment; on the other hand, he abandoned the land company plan, probably because he felt the area was not suitable for agriculture.[67] Thus both parts of Galt's Blackfoot Crossing development plan were scuttled.

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[63] Ibid., August 16, 1882.

[64] PAC, Galt Papers, Vol. 8, Supplemental, Galt to Lady Galt, September 4, 1882.

[65] Ibid.

From Blackfoot Crossing, Galt travelled to Calgary where he parted company with Brydges. Accompanied by Elliot and Aleck Galt, Sir Alexander moved on to Fort Macleod from where he made side trips to the saw mill in the Porcupine Hills and the coal leases at Coal Banks. Major Crozier of the North West Mounted Police escorted the party on these trips.[68] After having inspected the year's operations, Galt returned to Montreal by way of Fort Benton and Helena.

In consultation with Bryant and Stafford, Galt chose Coal Banks as the first site to be developed. This was not a spur-of-the-moment decision. The establishment of a saw mill less than fifty miles from Coal Banks, the talk of steamboats to transport the coal, and the leasing of two locations all indicated that the directors planned to work the seams there in the near future anyway. Once the other seams had proved to be inferior, Coal Banks was the only location left to the company. Accordingly, in December 1882, two short drifts were dug from the flats into the river bank and in that first year of operations the small crew of Nova Scotians extracted 22,000 tons of coal, most of which was sold in Fort Macleod.[69] If the colliery was to be economically viable, however, it had to expand its market to include the entire Northwest, especially the CPR.. Its remoteness was the chief drawback of the Coal Banks location. The establishment of an inexpensive and efficient link with the transcontinental was Galt's next problem.

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[66] PAC, Department of the Interior, Vol. 53, Galt to the Minister of the Interior, June 26, 1882.

[67] The exact reason for this abandonment of the land company is unknown. After his tour, Galt informed the Department of the Interior that it was "inexpedient to proceed" with the project. See Ibid., Galt to Burgess, October 7, 1882. To his wife he had written "the land after we passed Moose Jaw Creek [is] very inferior in quality." PAC, Galt Papers, Vol. 8, Supplemental, Galt to Lady Galt, September 4, 1882.

[68] The Fort Macleod Gazette, September 14, 1882.

IV. The Reluctant Diplomat, 1882-1883

Sir Alexander T. Galt's tenure as High Commissioner has received little favourable mention. Indeed his biographer, Oscar Skelton, while generally an undisguised admirer of Galt's career, simply explains that the force of circumstance, the political hostilities between governments, the lack of diplomatic status and the low salary curtailed Galt's effectiveness. This view has been adopted by G.P. de T. Glazebrook[70] and David M.L. Farr although the latter also points to Galt's outspoken

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[69] The Lethbridge News, January 9. 1891.

[70] G.P. de T. Glazebrook, A History of Canadian External Relations, I. The Formative Years to 1914, Carleton Library No. 11 (rev. ed.; Toronto: McClelland and Stewart, 1966), p. 135.

Conservative views as a handicap to his diplomatic activities.[71] Two other historians, D.G. Creighton and Heather Gilbert, go farther and attack Galt for several tactless indiscretions, a criticism which oversimplifies Galt's motives and consequently misinterprets his actions.

Heather Gilbert, in her biography of George Stephen, calls Galt the "Indiscreet High Commissioner". One example illustrated her point: after his visit to southern Alberta in the summer of 1882, Galt, echoing Palliser's assessment of the region, openly proclaimed the area west of Moose Jaw to be semi-arid and unfit for agriculture.[72] Since the CPR land grant also covered this area, George Stephen was furious and he vented his anger in several bitter letters to Macdonald. "It is a thousand pities he [Galt] could not have been sent somewhere if he would not do much good, would do less mischief," he scribbled indignantly, "He is in a frame of mind that makes him dangerous."[73] Through his ceaseless flow of letters, studded with such emotional outbursts, Stephen left the impression that Galt purposely created a false image of this area.

Galt's remarks definitely were not maliciously intended. The character and value of this southwestern portion of the plains were still under dispute and their assessment depended to a large extent on the time of the visit and the viewpoint of the observer. One noted visitor to the region that summer, Alexander S. Hill, a British parliamentarian about to make heavy ranching investments in the area, commented on the lack of water west of Fort Walsh;[74] while another traveller, Charles Tupper, the Canadian Minister of Railways, believed the territory to be "the garden of the world".[75] Galt, who visited the region during a dry spell, sincerely believed the area to be unsuitable for cultivation, an opinion he shared with George M. Dawson who had recommended the area for ranching only; in accordance with this view, Galt had scrapped his plans for a colonization company to the north of Blackfoot Crossing. Galt's position was ultimately proven correct and very extensive irrigation works were needed to make the soil productive. Surely, as a high-ranking government official charged with encouraging emigration, Galt cannot be faulted for warning settlers to stay away from a particular area of the Northwest. Perhaps he could have been less blunt since the CPR land grant was the foundation of its financial structure causing the nervous Stephen to label any criticism of its worth as a vicious attack.[76] Galt, therefore, might have been more circumspect in his remarks.

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[71] David M.L. Farr, The Colonial Office and Canada, 1867-1887 (Toronto: University of Toronto Press, 1955), p. 268.

[72] Gilbert, Stephen, p. 118.

[73] PAC, Macdonald Papers, Vol. 267, Stephen to Macdonald, October 28, 1882.

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[74] Alex Staveley Hill, From Home to Home, Autumn Wanderings in the North-West, in the Year 1881, 1882, 1883, 1884 (New York: O. Judd Co., David W. Judd, 1885), pp. 153-157.

[75] While Tupper actually labelled the area a garden spot in the 1870s, he reaffirmed his belief in the summer of 1882. PAC, Macdonald Papers, Vol. 267, Tupper to Macdonald, October 16, 1882.

[76] In October, when Stephen was encountering problems with the land grant, he told Macdonald that the problem should be solved soon since it embraced a section of the country which so "'high authorities' as the High Commissioner and the Land Commissioner of the Hudson's Bay Company had with sorrow on their lips but gladness in their hearts pronounced to be worthless and if I mistake not had even told you that they did not believe the CPR would take a foot of such lands." Stephen felt that the scanty herbage of the summer had fooled the two men. PAC, Macdonald Papers, Vol. 267, Stephen to Macdonald, October 28, 1882.

A similar lack of tact compounded Stephen's ire late in December of 1882. In a flurry of telegrams to Prime Minister Macdonald, the CPR president impetuously charged that Galt and C.J. Brydges had published an article in the *Daily News* which claimed that a three hundred mile belt west of Moose Jaw was barren land. Stephen insisted that the Prime Minister order Galt to repudiate the statement.[77] Although there was no evidence of Galt's complicity, Macdonald complied with Stephen's demands, but Galt, who did not want the High Commissioner trapped in the war of slander, wrote only a bland letter to the editor.[78] On the one hand, the coolness of his rebuttal showed a certain amount of callousness toward Stephen's plight, for as High Commissioner Galt could have made a much stronger denouncement of the article without compromising his office. On the other hand, his attitude was more complex. To Galt the CPR-Grand Trunk struggle was a corporate battle and he, as High Commissioner, did not want to become involved. Not that he could have done much, because as a businessman he was still so very closely associated with the financial backers of the Grand Trunk that he could never be an arbiter between the combatants. Thus he did not make a strong official presentation and he also failed to create a spirit of co-operation which could have been very beneficial to Canada's interests.

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[77] Ibid., December 27, 1882; December 28, 1882.

[78] Ibid., Vol. 220, Galt to Macdonald, January 9, 1883. A few weeks later Galt noted that he could do little because the CPR did little itself and only provoked the Grand Trunk. Ibid., January 20, 1883.

The pointless bickering among the Canadians in London unfortunately blemished Canada's image. Stephen's distrust of Galt and Brydges could only have a detrimental effect upon the plans for massive emigration. Sir John Rose, a Canadian agent in London, informed Macdonald that Stephen's obstinacy rather than Galt's imprudence was endangering a difficult attempt to consolidate the landholdings of the Hudson's Bay Company, the CPR and its subsidiary the Canadian North West Land Company in order to facilitate large-scale Irish emigration. He told Macdonald that "the very appearance of antagonism is injurious."[79] This viewpoint was augmented by Galt. Since he still was convinced that the CPR must come to London for funds the bitter hostilities between the two major railways had to cease. "The Grand Trunk and C.P.R. fight seems to me to be absolute lunancy on both sides," he wrote Macdonald and, applying sound business principles, he added, "and the end of such affairs is invariably coalition and surely they had better come to terms now."[80] Unfortunately this did not ~~happen~~ because the two railway giants were fighting for monetary profit and the welfare of Canada was of secondary importance.

Galt is also accused of diplomatic indiscretions by Macdonald's biographer, Donald Creighton. In January of 1883 Galt made two speeches in London in which he reiterated his grand policy whereby the empire's bonds would be strengthened through imperial federation and preferential trade agreements. Speaking to the Chamber of Commerce at Greenock, he pointed out that assisted emigration, like preferential trade agreements, was a natural component of close imperial unity. He asked them whether it was possible "that as men of business, desiring to see this country [Canada] prosper, looking in the most selfish light possible, that you can look with indifference to the two points — to the one either that your population should flow away to and building up a foreign country — I speak it without the least animosity — like the United States of America, or that you should hesitate for one moment in extending to your colonies the support which they desire, in furnishing them with this surplus labour, which is a burden to you?"[81] Continuing on this same theme of imperial unity, Galt at Edinburgh suggested that Home Rule was the best solution to the Irish problem. While the comments on imperial federation and preferential tariffs were merely academic, the criticism of Britain's Irish policy, spoken by a Canadian official, angered some members of the British press and government. Macdonald appeared incensed at Galt's behavior because he believed that the discourses greatly damaged the government's efforts in England. Once again Galt, according to Macdonald, had forgotten that the public and private roles of the High Commissioner could not be separated; by commenting on the internal politics of the host country he had committed a serious diplomatic blunder.[82] To be sure, Galt's comments were highly indiscreet but he vigorously defended his actions. He had deliberately mentioned Home Rule not merely to say what was on his mind but to explain and defend Macdonald's own speech on the subject in the Canadian House of Commons the previous year.[83] While those remarks had scuttled Bishop Lynch's mission, Galt felt that this time the references to Home Rule were ultimately beneficial. "There is no doubt your address last session and my recent utterances have gained us the friendliness of the Irish party and we shall no longer meet their hostility and preference for the U.S. in the House and in Ireland," he wrote Macdonald in March and claimed that his remarks had not provoked any coolness in official circles.[84]

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[79] Pope, Macdonald, Rose to Macdonald, January 4, 1883, pp. 294-95. Rose continued to say in his letter, "I think Stephen is wrong in attributing to Galt intentional or malevolent misrepresentations about the N.W. He may have been indiscreet in expressing his opinion; and he is, no doubt, in a cross and unpleasant frame of mind, but I do not believe that the purpose of making mischief is one that he can be justly charged with."

[80] PAC, Macdonald Papers, Vol. 220, Galt to Macdonald, January 9, 1883.

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[81] Alexander T. Galt, The Relations of the Colonies to the Empire, Present and Future (London: McCorquodale & Co., 1883), p. 29.

Galt's assessment was quite correct for a remarkable change of views had occurred among imperial officials. The appointment of Lord Derby as Colonial Secretary early in 1883 brought a more sympathetic attitude because he openly supported the principle of assisted emigration. After their first interview Galt felt that a new era had begun in colonial relations[85] and a few discussions later Derby asked Galt to prepare a memorandum on subsidized emigration. In response Galt suggested that the Poor Law be amended to provide emigration loans to those temporarily on relief.[86] Derby did not accept Galt's proposal but instead favoured a scheme advanced by George Stephen in which the lands of the Hudson's Bay Company, the CPR and the Canada North West Land Company were to be consolidated to facilitate a program of large-scale emigration. A new company was to be formed to administer the plan and implement Galt's idea of providing each settler with passage, a 160 acre plot of land, house, barn, cow, seed and implements; in sum, the immigrant would be lent enough money to sustain him and his family for a year.[87] The British government, swayed by a resurging interest in the Northwest, promised to provide a one million dollar interest-free loan to initiate the project on the condition that the Canadian government agreed to guarantee the debt.[88] Thus after three years of difficult negotiations a workable plan was accepted by the imperial government.

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[82] Pope, Macdonald, Macdonald to Galt, February 21, 1883, pp. 298-299.

[83] PAC, Macdonald Papers, Vol. 220, Galt to Macdonald, January 16, 1883.

[84] Ibid., March 8, 1883.

[85] PAC, Galt Papers, Vol. 8, Galt to Lady Galt, January 18, 1883.

At this time, however, the Canadian government refused to approve the proposal. While Macdonald agreed to provide free homesteads and to permit loans of $500 secured by the land,[89] he refused to accept the responsibility for collecting the imperial loan from individual settlers. Galt's views certainly influenced the thinking of the Prime Minister. From the start he had sought the involvement of private enterprise because he thought that only the businessman, driven by the profit motive, could ensure the efficient operation of an emigration scheme subsidized by the imperial government. According to him the Canadian government should not be involved at all. At the same time Galt did not relish the idea of a "systematic and continuous flood of poor Irish being poured into Canada," and he suggested that the scheme be expanded to include English and Scottish emigrants "to leaven the Irish element."[90] Macdonald sympathized with Galt's objections for he too favoured free enterprise and he also feared the political impact of a massive influx of volatile, destitute Irish families. The Prime Minister employed various stalling tactics to delay a final decision and the negotiations continued fitfully into the summer and the fall only to end without any results. Britain insisted that the arrangements be made between the two governments while Canada refused to accept this responsibility.[91] Thus, ironically, in the end it was the Canadian government which refused to approve the plan of assisted Irish emigration.

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[86] PAC, Macdonald Papers, Vol. 220, Galt to Macdonald, April 20, 1883; and undated memorandum, Galt to Derby.

[87] Ibid., Vol. 219, confidential memorandum, 2nd proof, March 10, 1883. Heather Gilbert makes no mention of the earlier plans worked out by Alexander Galt and thus she implies that the idea originated with Stephen while his innovation was only the land consolidation aspect of the plan.

[88] Ibid., Vol. 220, Galt to Macdonald, April 20, 1883; and May 21, 1883.

[89] Ibid., Vol. 129, Macdonald to Galt, April 30, 1883.

With the revival of cordial Anglo-Canadian relations and the quickening interest in the Northwest among imperial officials, Galt began to enjoy his work in London. If only the Canadian government would increase his salary so that his family could return to London! He then would be willing to retract his standing resignation and remain at his post.[92] Macdonald was not so inclined, however, and he wired Galt in April that Charles Tupper was to be his replacement. The relationship between the two men had cooled decidedly. Macdonald, who had never forgotten that Galt deserted the party during the dark hour of the Pacific Scandal, still could not tolerate Galt's overriding concern with broad academic principles at the expense of careful and discreet diplomacy. Furthermore, Galt's insistence that his trip to the Northwest the previous summer was primarily for government business and thus at public expense displeased Macdonald; even though he had filed a few official reports, the foremost preoccupation of Galt on that journey had been his private mining and land enterprises.[93] Thus Macdonald, weary of Galt's litany of frustrations, disappointments and discomforts, finally accepted his resignation; he had lost confidence in Galt's entrepreneurial ability since he had failed to initiate a large flow of immigrants at a minimal cost to the federal government.

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[90] Ibid., Vol. 220, Galt to Macdonald, April 20, 1883.

[91] Creighton, Macdonald: Old Chieftain, pp. 350-351.

Galt received the sudden permission to return to Canada with some regret because his efforts were beginning to bear fruit after more than four years of frustrating negotiations. Still, overall, the years had been a disconcerting experience of unfulfilled ambitions. Foremost in all his complaints about the High Commissionership was his salary with which he could not keep his large family in London, rent the ostentatious house and office; and host the frequent, elaborate entertainments so essential to diplomatic endeavours. At this time he could not afford to follow the tradition of foreign diplomats and make up the difference from his own funds because he laboured under considerable anxiety about his finances which were eroding under the continuing economic depression.[94] To a person motivated by the search for profit it was an intolerable situation which dampened his spirits. His dejection was aggravated by the loneliness of London, a feeling he described very poigantly in a letter to his wife at Christmas. He simply described a scene in the city.

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[92] PAC, Macdonald Papers, Vol. 220, Galt to Macdonald, February 16, 1883.

[93] _Ibid._, June 28, 1883.

> A dull room in a dull street on a cool, moist day in London - gas lighted. An old man sitting in a faded armchair before the fire - wrapped in a warm dressing gown - a silk cap on his head and his feet in slippers. On the table beside him a testament and a photograph album and some newspapers.[95]

Thus he sat in a melancholy mood trying to imagine the activities of his family in Montreal. The key to understanding Galt's activities as High Commissioner is this unwillingness to serve and so his letters were full of complaints. The campaign to enlist British support for western Canadian development could not succeed without a spirited, optimistic attitude so necessary to rouse the British bureaucracy and press out of their lethargy. Galt lacked the buoyant enthusiasm of the supersalesman for western Canada because the job did not give him satisfaction. When he did begin to like the job, his services were no longer needed.

Galt's mission had not been a complete failure because he had completed important financial arrangements for the Canadian government, he had made the British aware of Canadian aspirations, and his office had processed a fair number of emigrants. Yet the primary goals of his assignment were not realized. The French and Spanish talks had failed, mainly because Canadian aims were subservient to British desires and without an independent foreign policy with regular diplomatic status Canadian hopes could not be attained, especially when Anglo-Canadian relations were strained. The turbulent state of Irish politics and the indifference or fears of colonial politicians mitigated against a large transplant of Irish emigrants to Canada. As long as the United States offered more attractions than western Canada the latter needed subsidies to attract massive numbers of emigrants. It was a delicate and complex situation requiring the tactful yet enthusiastic touch of a skilled diplomat. Galt was a blunt, outspoken businessman with a pragmatic outlook which rebelled against polite and drawn-out negotiations. In his world profits were meaningful and they took precedence over political considerations. At the same time he tenaciously preached his ideal of a federated empire with commercial union, a concept which he thought was profitable to both countries but which was unacceptable to Canadian and British leaders. Since Galt did not appreciate this basic indifference to closer integration and greater co-operation, he could not muster the same buoyant optimism and dogged perserverance which had made his previous enterprises so successful.

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[94] Numerous letters to his bankers leave no doubt that Galt was in financial troubles throughout this entire period. See, for example, PAC, Galt Letterbook, Galt to Buchanan, March 2, 1883; Galt to Rhodes, March 2, 1883.

[95] PAC, Galt Papers, Vol. 8, Galt to Lady Galt, December 1882.

CHAPTER FIVE

THE TRANSPORTATION PROBLEM

I. The First Steamboat Failure, 1883

In the spring of 1883 the CPR once again resumed its relentless push toward the Rocky Mountains. Like lemmings the army of construction workers left the tent city of Swift Current and churned up the tenacious prairie grass to lay mile after mile of track. Far in advance of the end of steel speculators feverishly hoisted prices in covetous anticipation of fabulous profits, while in its wake came the eager immigrants cheerfully enduring the hard seats of the cramped CPR cars loaded with tents, tools, cattle and memories of hard times. The enormous flow of capital into the Northwest multiplied into economic prosperity and raised the expectations of business and settlers to dizzy heights. Throughout the summer the railway cut through the prairies; by fall it reached Calgary and ascended the easy incline of the Bow Valley to stop for the winter just short of the summit of the Kicking Horse Pass.

The frenetic railway construction generated an aura of optimism which touched every facet of prairie life. The busy trains scurrying across the plains, the sweating construction crews laying the tracks, the restless settlers turning the prairie sods required prodigious quantities of fuel. Thus attention was focussed on the large coal deposits of Alberta which were considered by the newcomers to be without limit. George M. Dawson, the government geologist, for one, after exploring the Kicking Horse and Crowsnest passes during the summer of 1883, proclaimed that the coal reserves were "practically inexhaustible."[1] To support his optimistic contention, Dawson reeled off a staggering list of statistics: the elated surveyor wrote that large seams stretched from Medicine Hat to Blackfoot Crossing and from Calgary to the international boundary, while at Coal Banks alone ninety-nine million tons of coal were readily available. The figures, according to Dawson, were so large and mind-boggling that they were meaningless and that, as he was quick to point out, did not include the extensive seams of the foothills which were even of a better quality.[2] Dawson's ecstatic report was echoed by the Lieutenant-Governor of the Territories, Edgar Dewdney, who wrote "The District of Alberta is one huge coal bed, and every settler in that district will have good coal almost at his door, and it only remains for the companies taking out the coal, to work the mines with the improved machinery and on an extensive scale, to insure to the whole of the Territories a good coal at a very reasonable rate."[3] The age of technology had arrived in the West. If coal was as plentiful and as easily mined as government officials claimed, then capital could easily be attracted to the Northwest and collieries would spring up everywhere in the territories. Sir Alexander, therefore, had to move quickly in order to maintain his early advantage. At this point the most crucial thing was to get the coal to market so that its reputation could be established and the company begin to earn money on its investment.

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[1] Dawson, "Bow and Belly Rivers," p. 5C.

[2] Ibid., pp. 127C-129C.

[3] Canada, Department of the Interior, Annual Report, 1883 (Ottawa: Maclean, Roger & Co., 1884), p. 8.

In anticipation of the fuel needs of the CPR and the large numbers of settlers, Galt had continued to work on the colliery project throughout the winter of 1882-1883. His major problem was to choose the means of transporting the coal to the CPR main line; if the infant mine was to survive the impending competition, it had to replace the expensively slow bulltrains with efficient and fast transportation. Two options were available to Galt: he could build either a railway or a steamboat and a fleet of barges. Galt chose the latter as a temporary measure because a steamer could be built cheaply in a few months while a railway required much planning, involved considerable bureaucratic red tape, and meant an enormous outlay of capital. At this point the crucial need was to transport the coal to a market so that its reputation could be established before competitors entered the field.

All such policy recommendations came from Sir Alexander because he was practically the agent or manager of company affairs. It was he, for instance, who sold all the shares, consolidated the timber limits and coal lands under the corporate name, and converted the leases to freeholds.[4] It was he who engineered the removal of C.J. Brydges from the Board of Directors when that individual could not meet the payments on his shares.[5] Other weak members were also pruned from the list of shareholders by Galt even though he himself was in financial difficulties. While he had realized windfall profits from speculation in Hudson's Bay lands near Winnipeg and Regina, older investments suffered heavy losses and plunged him into debt. He needed all his financial juggling skill to keep himself solvent and thus he laboured under constant pressure.[6] The precariousness of his financial position affected his position because it meant that throughout the entire start-up period, Galt worked under a formidable handicap; whenever he required greater capitalization to implement new ideas, he could not support them with his own capital. At the same time, since he had a substantial share in the N.W.C.&N.Co., he wanted to receive dividends as soon as possible; thus he adopted the steamboating concept as an expedient to bring the coal to the CPR market immediately and thereby earn money for the shareholders.

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[4] PAC, Galt Letterbook, Elliot Galt, April 7, 1883; Galt to Lethbridge, June 26, 1883.

The official manager of the N.W.C.&N.Co. was Elliot Torrance Galt, a capable and clever steward of the company's properties. Elliot was born in 1850 to Alexander and his first wife, Elliot, who died shortly after childbirth. The early relationship of father and son, while close, was strained as Galt ruled his family with tight reins.

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[5] Ibid., Cutbill, June 25, 1883.

[6] "If only real estate in Montreal would move up a little," Galt wrote his financial agent,"my worries would be at an end." Ibid., Galt to Buchanan, March 2, 1883; see also Galt to Montchieff, February 5, 1883; and Galt to Buchanan, February 24, 1883. The author found only one instance where Galt's ethics are questionable. He instructed his financial agents, Glyn, Mills, Currie and Co., to make a temporary transfer of thirty N.W.C.&N.Co. shares, adding "I request however that you will not register this transfer as it would disquality me as a Director [presumably of the N.W.C.&N.Co.]." Ibid., April 7, 1883.

In one instance he refused to give the twenty-two year old Elliot part of a bequest because he felt that the easy acquisition of wealth could only create desires for more money and therefore corrupt his son. "My constant prayer to God is that you may be preserved from the great danger of acquiring the habit of considering only your momentary enjoyment," he lectured his son, "The dealing with this money will distract your attention from what is now to you of more importance - a strict attention to your office duties."[7] In 1879 the elder Galt felt that Elliot's "life of self indulgence" and "great temptation" had to end and thus he asked the Prime Minister to give Elliot a position away from his friends.[8] Accordingly, at the age of twenty-nine Elliot became the Assistant Indian Commissioner, a task he performed well. The exposure to the exhilarant spirit of western development awakened Elliot's enterpreneurial instincts and he alerted his father to the coal resources, wrote him about plans for steamboats and gristmills, and above all pointed out the lucrativeness of land speculation.[9] He bought land for himself and his father at Winnipeg and, with his immediate superior, Edgar Dewdney, he invested in a land syndicate at Regina.[10] For the Minister of Justice, Sir Alexander Campbell, he created a partnership to buy some good but inexpensive land in Manitoba, and for good measure, arranged for an English investment house to buy the land at a profitable price.[11] In a matter of years Elliot was deeply involved in the tangled web of land jobbers and syndicates which spread across western Canada in advance of the railway. Probably it was he who brought the new wealth of Winnipeggers like James Wellington Ross and John Balsillie into the N.W.C.&N.Co. In February of 1883 Elliot resigned from the Department of the Interior and became the full time manager for the coal company.[12] With his keen eye for profit, he served the company well.

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[7] PAC, Galt Papers, Vol. 8, Galt to Elliot Galt, April 19, 1872.

[8] PAC, Macdonald Papers, Vol. 21 , Galt to Macdonald, April 5, 1879.

[9] PAC, Galt Papers, Vol. 8, Elliot Galt to Galt, July 22, 1880.

[10] Earle G. Drake, Regina: The Queen City (Toronto: McClelland and Stewart, Limited, 1955), p. 11. Drake describes the interests Dewdney and his associates had in the Regina area before the Lieutenant-Governor made it the territorial capital.

Shortly after the New Year, 1883, the N.W.C.&N.Co. commissioned the construction of a stern-wheel steamer and a fleet of barges each capable of holding seventy tons of coal.[13] The plan was to float the barges loaded with coal down river to Medicine Hat, to exchange their cargo of coal for provisions and to tow them back upstream with the steamers. Sir Alexander hired Captain Josephus Todd, an experienced Ohio and Mississippi River captain and capable shipbuilder, to supervise the construction of the boats and barges, while Elliot purchased the necessary equipment and machinery at Pittsburgh.

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[11] PAC, Campbell Letters, Elliot Galt to Campbell, January 3, 23, 25, 1882; February 6, 7, 22, 1882; March 10, 22, 1882.

[12] Glenbow-Alberta Institute (Hereafter cited as GAI), Dewdney Papers, File 57, Elliot Galt to Dewdney, February 21, 1883.

[13] The story of the brief regime of the steamboats is told more intensively in several studies and documents. See Alexander Johnston, compiler, Boats and Barges on the Belly (Lethbridge: Lethbridge Branch, Historical Society of Alberta, 1966); and PAC, Magrath Papers, Vol. 7, File 30, Memorandum re the construction and operation of fleet of steamers and barges operated by the North Western Coal and Navigation Company on the Saskatchewan River, out of Lethbridge, signed by H. Macbeth, no date.

Captain Todd recruited several of his relatives and other competent shipwrights from Yankton and Pittsburgh to help him with the work.

Working thirty miles from the nearest settlement and four hundred miles from the closest railway, the shipbuilders faced enormous difficulties. Since the rivers were frozen, all the lumber had to be hauled by labouriously slow bulltrains from the company's saw mill in the Porcupine Hills to the construction site at Coal Banks. With luck the bulltrains, usually made up of sixteen oxen and three wagons each, could carry almost forty-five tons for approximately twelve miles in one day. Luck was scarce, however, and strong winds, howling across the bald prairies, dumped tons of snow on the difficult trail; the crossings over the unpredictable river ice often proved to be treacherous. To alleviate the expense of transportation somewhat, the bulltrains carried coal to Fort Macleod on their return trips; in fact, Captain Bryant lowered the cost of coal there considerably by selling his produce for $12.50 a ton.[14] Despite the income from the coal, lumber was still so precious that the men built only a tiny shack at Coal Banks in which to cook and eat, while they slept in a crowded tent even though temperatures plummetted to thirty below zero. The high cost of transportation also meant that the men worked with primitive tools and inadequate materials, resulting in make-shift work which often caused costly breakdowns later.

Notwithstanding the many difficulties, the work progressed rapidly. The four barges were built at Fort Macleod in order to save on transportation costs. Todd hoped to use them to carry lumber down river, but in April the first barge, heavily laden with wood, ran aground only five miles from its starting point. The barge was freed with great difficulty only to hit sandbar after sandbar. Finally near Fort Kipp the exasperated crew threw the lumber overboard and allowed it to float downstream on its own accord.[15] This setback was an ominous portent of future shipping problems. On July 2, 1883 the steamer's hull was launched at Coal Banks and floated downstream to Medicine Hat to receive its machinery.[16] The engine had been shipped by rail from Pittsburgh to Swift Current and twenty days by wagon for the remaining 350 miles to Medicine Hat. After the engines were installed, the topdeck and pilothouse were added. When finished the ship, christened the "Baroness" after Baroness Angela Burdett-Coutts, measured 173 feet in its length, thirty feet in its beam, weighed 320 tons gross but drew only eighteen inches of water. By the middle of August the ship and her four barges were ready for the maiden voyage. The workers, drawing on their collective skills and perseverance had overcome the obstacles imposed by isolation to bring technology to the far Northwest.

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[14] The Fort Macleod Gazette, January 24, 1883; March 14, 1883.

Meanwhile the colliery itself was being developed and the foundations laid for a village. William Stafford made a recruiting trip to Nova Scotia early in 1883 and as a result miners began to trickle into the fledgling settlement. Stafford himself was so confident of the future of Coal Banks that late in June he brought his wife and nine other children to the site; he built a home for his family and another for Captain Bryant and his wife.[17] These two dwellings lent a spirit of permanency to remote Coal Banks especially when new shanties and bunkhouses were built to accommodate the growing number of miners. By August Elliot Galt had hired twenty-two men to lay a track from the colliery mouth at the bottom of the steeply inclined bank to the river's edge and to begin the extraction of an average of seventy to eighty tons of coal per day. Elliot also employed twenty men at the sawmill in the Porcupine Hills, a crew to lay out a coal and lumber yard at Fort Macleod, and a third crew to erect coal sheds at Medicine Hat.[18] Even at this early date the influence of the company was spread over a large area and was beginning to stimulate the economic activity of the region.

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[15] Ibid., March 24, 1883; April 14, 1883; April 24, 1883.

[16] PAC, Macdonald Papers, Vol. 220, Galt to Macdonald, July 6, 1883. Elliot Galt, always conscious of profits, loaded the hull with coal for the police post at Regina.

Sir Alexander Galt, whose resignation as High Commissioner had finally been accepted, spent several months in the Northwest that summer. He came partly as an agent for the federal government to look after the Jewish refugees settling in Winnipeg and also to inspect the colliery and to participate in the maiden voyage of the "Baroness."[19] The steamer made a two-day jaunt to the mouth of the Bow River and back. Next she travelled to Coal Banks loaded with cargo for Fort Macleod and returned with two hundred tons of coal. To Galt's intense disappointment no more coal could be shipped that season because of the low water. The river transportation scheme had foundered and in the first year of operation the "Baronness" had only been a liability to the company.

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[17] ~~Kelly,~~ "Early Lethbridge," pp. 83, 85.

[18] The Fort Macleod Gazette, August 14, 1883.

[19] PAC, Macdonald Papers, Vol. 220, Galt to Macdonald, June 28, 1883.

If it wanted to capture the northwestern fuel market, the N.W.C.&N.Co. had to move quickly because competitors were already appearing. At Coal Banks the Sheran mine was drifting into a better quality coal and rails were installed to permit further penetration into the river bank; several miles upstream on the north shore of the St. Mary's, H.A. Kanouse was extracting a good quality coal. Both mines employed bulltrains to ship their coal to Fort Macleod.[20] While these collieries were small and offered little threat to the Galt enterprise, they were made aware of the power of the larger company. Sheran, who had squatted on the N.W.C.&N.Co's coal properties, was told that unless he relinquished his claim, the price of coal would drop so low that he would have to close his mine.[21] The implication was clear: small collieries were to be tolerated to supply local needs but no more.

More ominous for the Galts was a relatively large Winnipeg firm which was developing a coal seam near Medicine Hat on the Saskatchewan River. The company loaded its coal on barges and with a minimum of effort floated them downstream to the CPR trestle across the river. By the end of the year its crew had constructed a short spur to connect its prairie-level slope to the CPR main line. Elsewhere around Medicine Hat various other collieries appeared.[22] Still more inauspicious for the N.W.C.&N.Co. were the rumours emanating from the railway construction sites in the Kicking Horse Pass. Not only had excited prospectors staked out all of Castle Mountain in the hope

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[20] The Fort Macleod Gazette, January 24, April 24, 1883; and Dawson, "Report on Bow and Belly Rivers," p. 770.

[21] PAC, Galt Letterbook, Galt to Elliot Galt, February 3, 1883.

[22] See footnote 20.

of finding silver and gold, but a James Anderson had uncovered a valuable seam of good anthracite near Banff and immediately formed a company reportedly capitalized at $100,000.[23] A colliery located on the CPR main line and selling a superior quality coal could be deadly to the Coal Banks venture. The Galts had to move quickly if they wanted to secure a substantial segment of the market. The considerably human effort and capital funds expended that summer had to be protected.

II. The Second Steamboat Failure, 1884

The first season of operations had been a dismal failure. Only the sawmill had earned money for the company and that only because Elliot Galt had received a contract worth $75,000 to build police barracks at Fort Macleod, Medicine Hat and Maple Creek. It was the only reason which kept the financial backers loyal to the company. The coal mine itself had produced very little because it had no efficient method of transporting its product. Low water had foiled the "Baroness". Would this happen again next season? Even if conditions were favourable, could she haul enough coal next year to assure the CPR a constant supply of fuel at a competitive price? These were troublesome questions haunting the minds of the Galts. The editor of the *Macleod Gazette*, C.E.D. Wood, in dealing with this question, was pessimistic and he suggested an alternative.

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[23] The Fort Macleod Gazette, October 1, 1883.

> In the few months, however, in which the river can be navigated, it is feared that enough coal to supply the demand can scarcely be transported, and it is therefore important that a line of railway should connect these mines with the C.P.R. main route. We have good reason for supposing that such a line will be built very shortly, probably continuing from Coal Banks to the base of the mountains to the Crow's Nest Pass.[24]

The editor was close to the truth for Sir Alexander wanted to build a railway to connect his colliery to the CPR main line. Certainly the man who had constructed the railway from Montreal to Portland plus large portions of the Grand Trunk Railway naturally thought of a railway to solve his own transportation problem. In June of 1883, even before the steamboat was launched, Galt had written a memorandum to Sir John A. Macdonald regarding a plan to construct a branch line to the CPR.[25] Later in the month he had approached the Prime Minister to request a letter supporting the proposal in principle,[26] and early in August he visited Macdonald again to outline the details.[27] Two weeks later he wrote an enthusiastic letter to the Prime Minister.

> I think you will share my gratification at my receipt last night from Stephen [president of the CPR] of the following message.
> 'Coal done splendidly. Go ahead with your railway. Made trip from Winnipeg to Calgary in 33 hours.'
> The satisfactory result of the test of our coal has a public importance in two ways. First, with reference to the general fuel question for

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[24] Ibid., August 14, 1883.

[25] Canada, Order in Council, October 19, 1883.

[26] PAC, Macdonald Papers, Vol. 220, Galt to Macdonald, July 16, 1883.

[27] Ibid., August 18, 1883.

> the whole N[orth] W[est] and secondly in the benefit it will be to the C.P.R. as removing the objection of the excessive cost of fuel to which they would be exposed in working the line in the West. Stephen, I am sure, thoroughly appreciated the importance to them and the help it will be in the further issue of their stock. You must really give us a helping hand, especially as you know I will ask nothing unreasonable or likely to produce political difficulties.
>
> √ I want to put the Railway so far on its legs before the Session as to enable the rails ect., to be bought and shipped early in the spring. I think this can be done without in any way compromising the Government.
>
> The decision of the modus operandi I reserve until you are in Ottawa.[28]

The letter clearly indicated the importance of Galt's colliery to the CPR and the need of government support to make it successful.

Since they were negotiating a business deal, the relationship between Galt and Stephen warmed considerably. The CPR was beginning to experience serious financial difficulties and thus found it profitable to support Galt's enterprise. Otherwise the company either had to construct huge coal storage facilities at Port Arthur to accommodate imported American coal or invest in collieries of its own in Alberta.[29] The CPR needed inexpensive fuel and Galt could provide it. The railway, therefore, agreed to buy twenty thousand tons of coal at Medicine Hat for five dollars a ton, a price which Galt estimated would net the N.W.C.&N.Co. about $3.50 per ton to finance the railway.[30] In addition the two companies worked out an integrated rate structure between points on both railways while the CPR agreed to transport all the necessary railway equipment to Medicine Hat at a low rate.[31] In the end, Stephen even agreed to lobby government members in support of Galt's railway charter.[32] Clearly the CPR found it worthwhile to promote the venture.

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[28] Ibid., August 30, 1883.

[29] PAC, Van Horne Letterbooks, Book 1, Van Horne to the Board of Directors, CPR, March 2, 1883.

[30] PAC, Galt Letterbook, Galt to Lethbridge, September 11, 1883.

With the CPR co-operation assured, Galt turned to the Canadian government. He spoke with several influential cabinet ministers to win their approval for his charter and a number of concessions he wanted from the government. Specifically Galt asked for a free grant of land for the right of way and station sites, the right to purchase 6,400 acres of land per mile of railway built at one dollar per acre, free entry into Canada for rails and other equipment, and the right to purchase 15,000 acres of coal lands.[33] Galt felt that he was entitled to these allowances because "... the construction of the proposed railway, while developing the entire McLeod [*sic*] District, by prompting its settlement and affording to an important section of the Northwest rail facilities, which cannot otherwise be obtained, will also bring to the Canadian Pacific Railway the cattle and mining traffic of

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[31] PAC, Van Horne Letterbooks, Book 3, Van Horne to Galt, October 25, 26, 1883.

[32] PAC, Galt Letterbook, Galt to Lethbridge, September 22, 1883. Stephen wrote Macdonald, "Galt was in today full of his coal. If only half he hopes from their deposits are realized, the fuel question may be dismissed as of no account. He wants to sell us the best coal at Medicine Hat at $5 a ton. He wants to build a railway to the mine, and to get a subsidy from the Government to help him do so. We'll be glad to see his line open and carrying coal to the railway." PAC, Macdonald Papers, Vol. 267, Stephen to Macdonald, August 13, 1883.

[33] Canada, Order in Council, October 19, 1883.

Montana."[34] The argument that the proposed railway would speed the development of southern Alberta undoubtedly had validity, but the primary, though unstated, reason for requesting the subsidy was to alleviate the heavy financial burden of building the railway. Without generous government aid Galt simply could not convincingly promise investors good profits.

Sir Alexander's request went beyond the existing government policy based on the land regulations of 1879. This legislation, drafted with the Pacific Railway in mind, set aside the odd-numbered sections in the Northwest to be sold to the railway at one to six dollars per acre. J.S. Dennis, the Deputy Minister of the Interior, thought that these lands should be available to other railways as well, in order to encourage the opening up of different sections of the territories, thereby increasing the value of the government's lands. Upon his recommendation the government, in the summer of 1880, permitted the Manitoba and South-Western Railway and two other railway colonization companies to purchase 3,840 acres per mile of railway built at one dollar per acre plus survey costs. Although a few months later the CPR was given a free grant of land, at the time Galt applied for his railway subsidy, this principle had not been extended to the small companies;[35] in fact, an order in council of June 4, 1883 had raised the price of land for these companies to $1.50 per acre.

In the light of these precedents, Galt's application was unacceptable in its details. Not only did he ask for twice the amount of land the others had received but he wanted to pay the old price of one dollar per acre; at the same time, his railway was not a colonization but rather a resource road, and thus technically did not qualify for a subsidy. Nevertheless the government, while it decreased the specific terms, approved the petition in principle. Upon the recommendation of Sir John A. Macdonald, who was still the Minister of the Interior, the cabinet agreed to sell the company 10,000 rather than 15,000 acres of coal lands at ten dollars per acre. Furthermore Macdonald reduced the land subsidy to the regular 3,840 acres per mile and, notwithstanding the order in council of June, he allowed the company to buy the land at one dollar per acre plus survey dues. None of the other requests were granted. The order in council was passed in October of 1883 and was subject to ratification by Parliament.[36] Its terms were generous and they helped to expand the N.W.C.&N.Co. from a colliery to a railway and land company.

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[34] Ibid.

[35] Hedges, Land Policy, pp. 70-76.

Meanwhile Galt attended to the many details created by the railway project. He planned to incorporate a new company, the Alberta Railway and Coal Company (A.R.&C.Co.),[37] to build the road at a cost of $11,000 per mile for approximately 110 miles. He envisioned an eventual merger of the N.W.C.&N.Co. into the A.R.&C.Co. so that the latter could take the potential profits from the land sales to provide the security for the bonds and stocks required for financing the railway and colliery. Of course the whole arrangement was provisional until he travelled to London to place before his friends, as he put it to Lethbridge, "the most complete project on a small scale you have ever been asked to join."[38] He hoped that he and Lethbridge, as the architects of the companies, could realize a substantial profit from this arrangement by turning their founder's shares of the N.W.C.&N.Co. into A.R.&C.Co. preferred stock. Galt sailed for London at the end of 1883 full of confidence that the London financiers would gladly provide the funds for the greatly expanded project.

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[36] Canada, Order in Council, October 19, 1883. Since Hedges overlooked the order in council of June 17, 1883, which raised the price of railway lands to $1.50 per acre, he failed to recognize the generosity of the government. See Hedges, Land Policy, pp. 86-87. Chester Martin makes the same error. See Martin, "Dominion Lands", p. 55.

[37] Canada, Order in Council, October 19, 1883. A separate order was passed to incorporate the A.R.&C.Co.

Galt, ever impatient, was moving too quickly, however, and he was forced to revise his timetable. The wheels of government turned very slowly and Galt was frustrated in his attempts to bring his railway bill before Parliament. Without the ratification of the railway charter and land subsidy, he could not appeal to the public for funds.[39] The sudden bankruptcy of the Northern Pacific in the United States eroded the credibility of all North American railway stock which was already suffering from a general economic slump. Under these conditions Galt found it impossible to float yet another railway bond issue especially when Parliament had not yet approved the land subsidy. The hopes for immediate legislation grew dimmer every week because Macdonald was too preoccupied with the CPR whose government-backed shares were falling in price on the New York market.[40] In the end

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[38] PAC, Galt Letterbook, Galt to Lethbridge, October 12, 1883.

[39] PAC, Macdonald Papers, Vol. 220, Galt to Macdonald, December 8, 1883.

[40] Creighton, Macdonald: Old Chieftain, pp. 360-62.

Galt had to abandon the plan to commence construction in the summer of 1884, and he dejectedly wrote to Macdonald.

> I have had infinite worry about my Railway and now had finally to postpone it for a few months. We must get the Act first and it is also desireable to show by actual results what the Coal can be got out for and what it will be sold at. We have therefore ordered Elliot to build another steamboat and more barges so as to get down say 25,000 tons next spring.[41]

He added, hopefully, that if the rumours of still greater government guarantees for CPR loans were true, could Macdonald not "make them build my little road on the ground of fuel supply?"[42]

Since the railway could not be completed in 1884, the Galts turned to steamboating once again. The basis for building additional ships was weak because with the collapse of the railway scheme the arrangements with the CPR had lapsed and all that Galt had managed to wheedle out of Van Horne was a contract for a paltry 5,000 tons of coal at six dollars per ton to be delivered at Medicine Hat during the summer of 1884.[43] Van Horne refused to buy more coal because he needed an assured quantity of coal and he did not trust the steamboats to deliver a larger amount. Despite the refusal of the CPR to buy more coal, Elliot Galt imported oak from Minnesota during the winter for the second steamboat. Built entirely at Medicine Hat and launched on April 14, 1884, the "Alberta" measured one hundred by twenty feet and weighed 150 tons gross. A third steamer, the "Minnow", only thirty-five feet long, ten feet wide and powered by a tiny five and three-quarter horsepower engine, was built in Winnipeg and shipped intact by railway flatcar to Medicine Hat.[44]

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[41] PAC, Macdonald Papers, Vol. 220, Galt to Macdonald, January 7, 1884.

[42] Ibid.

[43] PAC, Magrath Papers, Vol. 7, File 30, copy of a contract, North Western Coal and Navigation Company and the Canadian Pacific Railway Company, October 26, 1883.

In the meantime Sir Alexander continued to work on the railway project. He arranged the incorporation of the A.R.&C.Co. on April 19, 1884. The new company, capitalized at 1.5 million dollars by shares of one hundred dollars each, proposed to build the railway from Medicine Hat to Coal Banks and, if two-thirds of the shareholders approved, the company could assume all the assets and liabilities of the N.W.C.&N.Co. under its own name.[45] The board of the A.R.&C.Co. included most of the directors of the N.W.C.&N.Co. but it also introduced new names including Peter Redpath of Montreal, Robert Gillespie, who was Galt's former employer with the British American Land Company, and Alexander Stavely Hill, the prominent British barrister and politician. Hill was a staunch Conservative and thus very acceptable to the Canadian government; he was, in fact, a close personal friend of Sir John A. Macdonald. His interest in the Northwest also included the ownership of the large Oxley Ranche.[46] Galt's venture, therefore, was attracting an ever larger and more prominent group of investors.

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[44] PAC, Galt Letterbook, Galt to Dove, April 2, 1884. From a number of figures cited in this letter it is possible to assume that the steamboats cost about $40,000.

[45] Canada, Statutes of Canada, 47 Victoria, 1884, Chapter 86, April 19, 1884.

[46] Breen, "Ranching Frontier," p. 67. Arthur Springett, Sir Alexander Galt's son-in-law, became the manager of the ranch.

Meanwhile, Galt's railway charter moved through Parliament. On February 1, 1884 M.C. Cameron, M.P. for Victoria, introduced a bill to empower the N.W.C.&N.Co. to construct and operate a railway from Medicine Hat. Debate was mercifully short and only Edward Blake, the opposition leader, observed that the bill's title mentioned Medicine Hat as the point of origin but no place as destination. "To a point named in the Bill," Cameron replied tersely, accompanied by Sir John A. Macdonald's rendition of "All around the hat."[47] The routine legislation was passed on April 19, 1884 and stipulated that the usual railway specifications and regulations applied and insisted that construction begin within two years and be completed within five.[48]

Galt's optimistic hopes were cruelly dashed. The steamboats, which had to be successful to prove the worth of Coal Banks coal, failed again. The flagship "Baroness" completed only nine trips while the "Alberta" made only eight. The season lasted less than seven weeks and only three thousand tons of coal were delivered to the CPR. The Belly River simply was unsuitable for navigation; its water came from the melted snows of the Rockies, usually cresting in June and falling so quickly again that by July the river was shallow and dangerous. The shifting sandbars of the low river proved too great a hardship for the captains who spent too much time freeing their ships from the sandy barriers. Ironically, at high river, the engines of the "Baroness" and "Alberta", forty-nine and thirty-one horsepower respectively, were too weak: the "Baroness" could, if all went well, race down river from Coal Banks to Medicine Hat in one day but she needed five days of hard steaming to return. In the meantime the ships burned so much coal that refueling stops were necessary along the way. One crew member, D.J. Whitney, recalled the difficulties.

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[47] Canada, House of Commons, Debates, February 1, 1884, p. 84.

[48] Canada, Statutes of Canada, 47 Victoria, Chapter 74, April 19, 1884.

> I was thinking of the time in 1884 ... that I made the return trip from Lethbridge to Medicine Hat as a hand on one of the river barges that was hauling coal down to Medicine Hat and what a terrible trip it was and took us nearly two weeks. The river was dropping awfully fast and we were continually getting stuck on sand and gravel bars. We finally got down to Medicine Hat. Our main concern was to get the boat back to Lethbridge and, as the river was still dropping, we were unable to take on much freight. The return trip was even worse as we had to buck the current. The boat hands were out in the water most of the time with poles prying the boat off the sand or gravel bars. It was hard, gruelling work and we often lay down to sleep for a very few hours in our wet clothes. We were continually running out of fuel for our boilers, and as there were seams of coal along the river banks we dug out coal and packed it in sacks down to the boat.[49]

Steamboats were obviously not the answer to Galt's transportation needs.[50]

Galt spent a lonely and boring week at Medicine Hat early in May 1884, vainly waiting for the steamboats to arrive laden with coal. He had much time to ponder a desperate situation complicated by his own financial position which caused him to waste much time reorganizing his funds to satisfy his bankers.[51] "The truth is my own position is such that I must endeavour before the New Year to devise some mode of ... [resolution] or I do not see how I can get on much longer," he confided to his wife, "It seems a little hard to have to struggle against adverse fortune when one is getting old but I should be very thankful that my energy and physical ability are not yet unequal to the strain and I comfort myself with the belief that it must be all wisely ordered."[52] Certainly yet another trip to England was necessary to rearrange financing for the railway.

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[49] David J. Whitney, Unpublished Manuscript in the Archives of the Sir Alexander Galt Museum, Lethbridge, July, 1966. Cited in Johnston, Boats and Barges, pp. 23-24.

[50] The apparent folly of the company's attempt to float their coal has caused some speculation among local historians. See Andy A. den Otter, "Steamboats on the Belly, Why?" Alberta Historical Review, XX (Winter, 1972), pp. 1-5.

[51] PAC, Galt Papers, Vol. 8, Galt to Lady Galt, August 5, 1884.

While he was at Medicine Hat Galt also resolved to re-enter politics, a decision which revealed his keen interest in public affairs. He believed that the two most important issues facing Canada were the CPR and the Northwest, and he wanted to be a part of their resolution.[53] So when Macdonald rejected his overture Galt's feelings were deeply hurt and he retorted angrily, "I may be somewhat erratic but have a good mind yet and I think I can be of service."[54] For someone, who had been as deeply involved in politics for as long as Sir John himself, to be informed he was no longer an asset to the party was a heavy blow.

The summer of 1884 had been one of disappointments for Galt. His costly gamble with the steamboats had failed and although he was convinced it had been necessary to prove that Coal Banks coal was worth the cost of exploitation, the attempt had disillusioned the

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[52] Ibid., May 5, 1884.

[53] PAC, Macdonald Papers, Vol. 220, Galt to Macdonald, July 21, 1884.

[54] Ibid., July 25, 1884. A year earlier Galt had decided to run for the Montreal West seat. Ibid., March 29, 1883.

British investors. He wrote of his discouragement to his friend, Sir John A. Macdonald. "Our miserable river has played out after barely four weeks of good water and we are awfully disgusted ... especially as first now it seems hopeless to attempt to raise money for the railway."[55] How could Galt possibly persuade the men in England to invest still more money in such a dubious venture at a time when the CPR was heading toward financial disaster and some railways in the United States were foundering? For several years his London friends had poured money into the western enterprises with hardly any returns. Surely his plans for the railway were too expensive for the time: not only did he have to lower his sights but, above all, he had to seek more government support.

III. The First Land Grant, 1884

The only answer to Galt's predicament was increased subsidies for his railway project. Since the prevailing economic conditions discouraged foreign investments in North American railways, only a liberal government subsidy could attract the capital for his road. Thus he appealed to his friend, the Prime Minister, for help. He wanted, first of all, to abandon the expensive standard for a cheaper narrow gauge. "If we can't get a first class road, we must be content with a cheap one — anything to get the coal to market," he explained to Macdonald, "I shall have to get your consent to substitute a cheap narrow gauge line for the other ... we must get the coal out."[56] Although narrowing the gauge lowered construction costs considerably, Galt still had to raise the money for the land purchase permitted under his railway charter — 3,840 acres per mile at one dollar per acre plus survey dues amounted to a staggering sum of over $450,000. He could never raise that much capital in addition to the expenditures for the railway. Secondly, then, he wished to rearrange the terms of the land subsidy.

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[55] *Ibid.*, July 10, 1884.

In a series of negotiations with the Prime Minister and other government officials, Galt outlined the details of his proposal. He offered to relinquish half of his land subsidy provided the government made the other half a free grant, exclusive of the survey costs. He argued that as the railway increased the value of the surrendered lands, the government could recover the cost of the granted lands. At the same time he reasoned that the road would open a valuable coal field and provide inexpensive transportation for the coal so desperately needed in the Northwest.[57] The official papers once again did not mention that the primary motive for government subsidies was not the public good but attractive profits for reluctant foreign investors. Nevertheless, Macdonald gave Galt verbal assurances that his scheme was acceptable.

Armed with Macdonald's promise, the aging Galt wearily returned to London in August of 1884, once again in the search of capital. The task was difficult for he had to change the mood of

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[56] Ibid.

[57] Canada, Order in Council, September 27, 1884.

Lethbridge from total disenchantment to a willingness to commit himself to still greater expenses. In order to accomplish this, Sir Alexander approached his former partner and brilliant railway builder, Colonel C.S. Gzowski and persuaded him to lend his prestige to the enterprise by acting as consulting engineer. Together the men induced Burdett-Coutts to invest a further £10,000 on the condition the others did the same.[58] Next Gzowski won over Smith and then persuaded Lethbridge to come to London for a meeting of the five men at the colonel's rooms. With the ground prepared by Gzowski, Galt unfolded his plans for the railway and after a lengthy and heated debate the partners resolved to build the railway with each of the men pledging £10,000 toward the venture. The deciding factor in their decision was Gzowski's endorsement of the project and his willingness to serve as the consulting engineer and professional advisor; all plans, specifications and expenditures had to be approved by him. Without Gzowski's help and the backing of Smith, Galt could never have been able to persuade the adamant Lethbridge and indecisive Burdett-Coutts to strengthen the venture which was teetering on the brink of failure.[59]

The future of Galt's enterprise suddenly looked brighter. The partners were willing to spend more money and the Canadian cabinet on September 27, 1884 formally approved Galt's request for the land subsidy. Spurred on by a Galt-inspired recommendation from Charles Tupper, the Minister of Railways and Canals as well as High Commissioner,[60] the cabinet granted the N.W.C.&N.Co a total of 1,920 acres of land per mile at the survey cost of ten cents per acre. The cabinet also allowed a reduction in the track gauge to three feet if good facilities for passengers and freight were furnished.[61]

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[58] PAC, Galt Papers, Vol. 8, Galt to Lady Galt, September 11, 1884.

[59] _Ibid_., September 13, 1884.

[60] PAC, Department of the Interior Records, (RG 15), Vol. 15, File 62709-1, Tupper to Macdonald, September 4, 1884.

With the formalities concluded, only the particulars had to be settled. Throughout September and October, Galt plodded through the tedious negotiations and by mid-October he was so assured of ultimate success that he cabled Elliot to begin construction work.[62] The final agreement awarded Sir Alexander a contract to build the narrow gauge railway for $550,000. The directors of the A.R.&C.Co. bought about $225,000 worth of bonds and pledged to buy another $50,000. In addition Galt had secured an agreement with the CPR whereby the railway accepted $50,000 in coal as payment for transporting all the A.R.&C.Co.'s railway equipment to Medicine Hat. Galt was confident that the remainder of the money required could easily be raised through the public sale of bonds. The contract was signed on October 14, 1884, one day after Elliot had begun on the railway.[63] On October 30, Sir Alexander sailed home.

It was a happy voyage. The satisfactory conclusion of two months of strenuous negotiations was a tremendous relief to the weary Galt. The success of the coal mining venture was assured and, if no bad luck interfered, the railway contract would earn him $50,000 and thus lift him out of his personal financial problems.[64] At the same time the railway was bound to increase the value of his interests in the coal lands. He wrote a jubilant letter to his wife which revealed much about his motivations and activities.

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[61] Canada, Order in Council, September 27, 1884.

[62] PAC, Galt Papers, Vol. 8, Galt to Lady Galt, October 16, 1884.

[63] *Ibid.*, October 18, 1884.

> I cannot refrain from writing you again by the Oregon to tell you of my great thankfulness to God that it has pleased Him to bless my efforts here, and to relieve my mind from the great weight of anxiety with which I have looked forward to the future not only on account of the dishonor which attaches to all who are unable to meet their obligations but also for the trouble and possible privation, which I dreaded was impending over you and all I love. My trust has been in God's mercy and it has been signally shewn to me in turning circumstances that seemed most untoward into the means whereby I have now bright hopes of extrication from my difficulties. The failing of our navigation last summer, was a severe trial, but without it, I never could have succeeded in inducing my friends here to undertake the railway—And again the very difficulty in raising the money which seemed to threaten failure has obliged them to make arrangements with me which I now regard as guaranteeing an early escape from pressing pecuniary anxiety.[65]

Although the finances for his enterprise were secured, Galt decided to ask the government for still more assistance, an understandable reaction to an increase in subsidies to several other western railways. Ever since the CPR had been awarded free lands, other colonization railways put pressure on the government to convert their land purchases into free grants. Public opinion in the Northwest, disenchanted by the failure of the colonization companies to effect large-scale immigration, favoured the principle of railway branch lines acting as colonizers.[66] Railways, settlement, and land subsidies were logical complements of the policy to settle the vast prairie expanses. "Surely there is land and to spare in the Northwest, which cannot be put to better purpose than the development of the country" so the *Winnipeg Daily Free Press* summed it up; railways were necessary because "farming cannot profitably be carried on at any distance from a railway."[67] This was the policy which Galt had advocated throughout his entire career and his company had been the first small western railway to receive a free land grant.[68] With the precedent established by him, other companies, all of which faced financial difficulties, had no problem securing similar although much larger concessions. Late in 1884 the cabinet passed several orders in council which granted 6,400 acres per mile to the Manitoba and South-Western Colonization Railway Company, the Manitoba and North-Western, and the Qu'Appelle, Long Lake and Saskatchewan Railroad and Steamboat Company.[69]

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[64] Ibid.

[65] Ibid., October 24, 1884.

As soon as the three companies had been awarded their grants, Galt requested the same subsidy of 6,400 acres per mile for his company. As an inducement he promised to incur extra expenses in order to complete the railway one year earlier than planned and thus market his coal by the fall of 1885.

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[66] Hedges, Land Policy, pp. 79-81

[67] October 13, 1884, cited in Ibid., pp. 79-80.

[68] The first free land grant, apart from the CPR, was given to the Winnipeg and Hudson's Bay Railway and Steamship Company, but that firm can not be classified with the other colonization companies because of its size and purpose.

[69] Hedges, Land Policy, pp. 81-109.

The petition was introduced to the cabinet by Sir David L. Macpherson, then the Minister of the Interior but also an old friend of Galt and former business associate of Gzowski and Company and the Toronto Rolling Mills. Macpherson met with so much opposition, however, that he withdrew the measure until the Prime Minister returned from London.[70] Through the personal intervention of Macdonald, the order in council passed in mid-January but, because Galt's road was of a narrow gauge, the ministers balked at the size of the request and granted him only 3,800 acres per mile, consisting of all the odd-numbered sections in six mile belts on both sides of the railway.[71] The order in council, like those of the other companies, was subject to ratification by Parliament.

Accordingly, an omnibus bill covering the land grants of all four western railways was introduced in the House late in March and immediately met with acrimonious opposition directed especially against the Galt enterprises. The chief critic was Edward Blake, whose hard hitting speeches based on thorough knowledge and keen insight laid bare the serious flaws in the concessions to the N.W.C.&N.Co. Although Blake favoured the principle of subsidies to branch lines, he believed that this grant was excessive, especially because the company had raised all the required capital on the basis of the smaller land grant. At the same time he questioned the need of the railway when the CPR main line crossed several good coal seams. In any case, with the land valued at two dollars per acre, he believed that the subsidy covered the entire cost of construction and thus opened the way for inordinate profits. He also pointed out that the public was about to subsidize a narrow gauge railway which he felt was inefficient and caused extra transhipping costs on all cargo which undoubtedly were to be passed on to the consumer. It appeared to him, therefore, that the public was paying the cost of resource development while the company took the profit. Furthermore, Blake, like many of the other critics, feared the establishment of a coal monopoly in the Northwest with resultant high prices because the company controlled not only 10,000 acres of coal lands but also the only access to this area; therefore, if Galt chose to charge exhorbitant rates for coal shipments, no one in that region could compete with him.[72] In sum, the members of the opposition wanted to make sure that the enormous resources of the Northwest were exploited for the advantage of the Canadian public and not only for the profit of foreign investors.

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[70] PAC, Galt Letterbook, Galt to Lethbridge, November 21, 1884.

[71] Canada, Order in Council, January 15, 1885.

The government side of the House viewed matters from a different perspective. The buoyant spirit engendered by CPR construction a few years earlier had faded with the collapse of western Canada's economic boom and general depressive economic conditions. More than ever before, the government had to grant generous concessions to attract capital to the Northwest. As the Prime Minister pointed out in the debate, the unparalleled shrinkage in railway money in North America had dried up all financial interest in western Canada; the government, therefore, had to do all it could to revitalize investments in the West so that the bountiful resources, which were worthless without improvements, could be fully utilized. The Galt case was justified upon this basic premise and the fear of a coal monopoly could be dismissed on the grounds that the reserves were so plentiful that competitors were bound to appear elsewhere.[73] The cheapest incentive available to Canada was land and so the government, convinced of the abundancy of western resources and committed to the development of these riches, was willing to grant generous concessions for their exploitation.

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[72] See Canada, House of Commons, Debates, March 27, 1885; June 10, 11, 1885.

Galt, aided by his friends in the cabinet, took advantage of this prevailing mood. He could have gone ahead with the smaller grant but his business instinct demanded that he try for the largest profit possible. Thus he used all the political influence at his disposal to sway the government in his favour. As a result, the plan he had concocted for Blackfoot Crossing could be implemented at Coal Banks on much more favourable terms. Here the N.W.C.&N.Co., under the direct leadership of Sir Alexander, was to build the complex corporate structure of a colliery, railway and land settlement enterprise.

IV. The Dunmore to Lethbridge Railway, 1885

Shortly after the New Year, 1885, the activity on Galt's railway resumed. Dunmore, a spot on the CPR main line just east of Medicine Hat, changed suddenly from a sleepy station to a bustling construction camp. Since it was chosen as the junction of the two railways, a crew of twenty-five men were busily engaged in the construction of a siding, roundhouse, carshop, coal transferring facilities and a rooming house. Ties for the new road were arriving daily from the company's new timber berth west of Banff in addition to fifty thousand surplus ties purchased from the CPR.[74] By March some seventy-five thousand ties were stacked in massive piles anticipating the rails which had been bought in England and were already in Canada awaiting the spring breakup of the Great Lakes.[75]

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[73] Ibid.

Coal Banks, already popularly known as Lethbridge, was the centre of the railway fever. C.A. Magrath, a government surveyor, laid out the townsite high on the benchland about three-quarters of a mile from the river. Magrath, captivated by the spirit of the open, expansive prairies drew wide streets and reserved a large square opposite the projected railway station as a parkland core for the business district. Since the company owned the entire townsite, the community was spared the frantic transactions and soaring land prices caused by avid speculators; at the same time the brisk flow of applications for town lots restored the confidence of the British investors.[76] Eager buyers scurried to grab the choice properties and by May seventy lots had been sold and two months later all the commercial real estate around the square was taken. Some merchants simply pitched tents to serve as stores and warehouses, while one enterprising individual erected a ramshackle hotel complete with billiard room and saloon.[77] Elsewhere workers prepared the town for the arrival of the railway; they constructed two large water towers to serve the road and the community and built several cottages and a boarding house to accommodate the impending influx of miners and railroaders.[78] Coal Banks was astir in lively anticipation of the opening of the colliery and railway.

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[74] PAC, Galt Letterbook, Galt to Van Horne, November 24, 1885.

[75] The Fort Macleod Gazette, January 2, 1885; February 7, 1885; and February 28, 1885.

[76] PAC, Galt Letterbook, Galt to Lethbridge, June 26, 1885; Galt to Elliot Galt, July 8, 1885. Receipts for the lots amounted to $15,000 by mid-July.

Fort Macleod also shared in the excitement created by the large influx of capital. Its citizens were certain that the N.W.C.&N.Co. planned to extend its railway through the town to the Crowsnest Pass and so their community would certainly share in the development of the coal mines. The editor of the *Macleod Gazette* urged his readers to band together and raise a bonus for the company as an inducement to lengthen the line immediately. With enthusiastic management Fort Macleod, according to the editor, could soon outgrow Winnipeg to become the "Queen City of the West".[79] One sign of progress, which greatly pleased the town's boosters, was the telegraph line being strung from Dunmore to the Fort. While the work was still very slow and expensive because all materials had to be transported by bulltrains, still the line signalled the end of isolation; soon Fort Macleod would be linked into the mainstream of Canadian civilization. Macleodites, in their intrepid optimism, failed to attach any significance, however, to the fact that the

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[77] Ibid., Galt to Burdett-Coutts, June 16, 1885.

[78] The Fort Macleod Gazette, January 2, 1885; March 28, 1885; and May 16, 1885.

[79] Ibid., January 16, 1885; April 25, 1885, May 9, 1885; and May 23, 1885.

N.W.C.&N.Co. quietly leased the entire telegraph line from the government and at the same time built and operated ferries at Coal Banks, Fort Kipp and Fort Macleod.[80] Galt, through his company, was assuming control over transportation and communication in the southwest; the old ranching centre was falling into the orb of a new and aggressive corporation. Perhaps some people saw symbolic prophecy in the constant flow of logs which day after day floated past the community on its way to the new townsite at Coal Banks.

All the stir stopped abruptly in March when violence erupted at Duck Lake, Battleford and Frog Lake. The Indians and Métis of the Northwest reacted desperately with rifles and bloodshed against the indifference of the Canadian government to their needs and fears. As a nomadic people, accustomed to the freedom of the plains, they had lost their livelihood, the buffalo, and so they had become hopelessly dependent upon the foreign and frightening technological society invading their hunting grounds with fences, railways and laws. As the alien surveyors divided the open range into little squares without regard for natural trails and existing plots, they rebelled against their degradation as obstacles in the way of the westward march of the Canadian people.

The Dominion government reacted quickly and effectively. The partial completion of the CPR allowed the militia to assemble on the prairies within weeks, ready to smash Louis Riel and his followers.

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[80] Ibid. Since no railway could be run without a telegraph, Galt convinced the directors that it was cheaper to lease the line and charge the government a special rate for official messages, than to pay for each company message. See PAC, Galt Letterbook, Galt to Cutbill, August 28, 1885.

With the advantage of superior armaments and efficient transportation, the troops managed to blunder their way to victory and the defeat of Big Bear early in July signalled the end of the uprising. The development of the Northwest, briefly interrupted, could be resumed once again.

The insurrection had a double-edged effect upon Galt's enterprise, an outgrowth which clearly illustrated the fickleness of British investors, applicable also to eastern Canadians and other corporations. The uprising clouded the future of the Northwest and made the region a poor risk for investments. "The effect on my English friends has been disastrous as preventing our raising money which we had every hope of doing with the land grant," Galt complained to Macdonald, "Now they write me they must stop the effort to get more capital subscribed until they see this miserable business closed."[81] The situation was aggravated by adverse publicity originating with the CPR. A number of announcements by the company that it had made large coal discoveries plus severe criticism of narrow gauge railways as being economically unfeasible for the Northwest worried the stockholders.[82] Although Galt quickly disproved the CPR claims, the London partners still refused to honour their commitments until the Riel Rebellion was resolved.

Galt, very much distressed by the unexpected quirk of events, tried to convince the proprietors to continue their support and efforts. He soothed them with the hopes of a government guaranteed loan of $100,000 which he was confident of securing on the basis of government freight and mail contracts held by the company.[83] He frantically pressed the Prime Minister to approve such a loan quickly so that it could be used to pry more money out of the shareholders. Macdonald simply had to recognize that if the guarantee was not forthcoming soon the A.R.&C.Co. might fail to honour its contracts thereby delaying full-scale production at the colliery by at least a year and, much worse, possibly losing its land grant.[84] Despite his desperation, the cabinet refused to grant Galt a loan guarantee for his company.

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[81] PAC, Macdonald Papers, Vol. 220, Galt to Macdonald, April 27, 1885. See Lalonde, "Colonization Companies," pp. 176-199 for an account of the devastating effects of the Riel Rebellion on the various colonization companies.

[82] PAC, Macdonald Papers, Vol. 220, Galt to Macdonald, illegible date, March 1885.

The setback was only temporary because the ultimate effect of the rebellion was beneficial to the N.W.C.&N.Co. The Canadian government leased the company's three steamers to transport men and equipment to the battleground. The ships completed a few slow trips from Prince Albert to Edmonton and after the rebellion helped to return the wounded soldiers back to Winnipeg.[85] The enterprise proved to be lucrative for the company because the government initially rented the boats for $500 per day plus expenses.[86] Although the government procrastinated in its payments, by July it had remitted $36,000 and agreed to negotiate for the remainder due.[87] The unexpected income was a boon to the company's precarious financial position and it helped to secure the completion of the railway. "No doubt the steamboat business has been a perfect Godsend and a set off against the rebellion,"[88] Galt wrote Lethbridge and, although he added that the human cost was deplorable, the implication that the rebellion was good for business was clear.

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[83] Ibid., April 27, 1885.

[84] Ibid.

[85] PAC, Magrath Papers, Vol. 7, File 30, H. Macbeth, undated manuscript. Although Galt hoped to sell the steamers to the Hudson's Bay Company, the "Alberta" was beached at Lethbridge and stripped of its engines and boilers which were utilized for a saw mill. The lumber was used by miners to build shacks along the river valley and the remaining hull was a bathing platform until 1902 when it was swept away by a flood. The ship's bell served as a fire alarm and curfew signal. The "Baroness" ran aground and its engines were salvaged by the company for use in the colliery until 1924. The "Minnow" ended her days in Northern Alberta as a lumber ship for the Lamoureux brothers of Fort Saskatchewan. In 1898 she too was swept away by a flood. See Johnston, Boats and Barges.

Regardless of government or stockholder support, Galt ordered construction to be resumed. Working for a time under military protection, W.D. Barclay, the Assistant Chief Engineer of the CPR, supervised the two teams of contractors. One crew started to plow the roadbed at Dunmore while the other began at Woodpecker. At the end of the month the first crew, which had graded twelve miles the previous year, was thirty miles out of Dunmore and the second crew had completed eight miles. The work continued rapidly and by the end of June grading was virtually complete and the rails arriving. The firm of Donald Grant, a former CPR contractor, laid the 110 miles of track in forty-nine working days. On August 25, 1885 the first train puffed into Coal Banks.[89]

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[86] PAC, Galt Letterbook, Galt to Cutbill, May 15, 1885.

[87] Ibid., May 18, 1885; and Galt to Elliot Galt, July 8, 1885.

[88] Ibid., Galt to Lethbridge, August 10, 1885.

[89] The Fort Macleod Gazette, May 2, 9, 23, 30, June 13, 23, July 28, August 11, 1885.

Although the tracks were laid, the road did not go into operation until the first of September and was not opened officially until the twenty-fourth.[90] At four in the afternoon a group of dignitaries, including the Governor-General, the Marquis of Lansdowne, the Anglican Bishop of Saskatchewan, Rev. John Maclean, and the general superintendant of the CPR, J.M. Egan, arrived in Lethbridge by train. On the station platform Sir Alexander addressed the crowd of townsmen and about 250 employees.[91] In reply the Governor-General said that the colliery and railway solved the major problem of fuel for the Northwest Territories. His speech expressed the exuberant hopes of westerners as he boasted of the "inexhaustible supply of the best class of fuel," and boldly prophesied that "from these cliffs we shall be able to draw without stint the materials which will supply us sources of heat and light for generations to come."[92] He described a vision of the future Lethbridge as a large metropolis built on the coal mines augmented by smelters and foundries, providing work for thousands of labourers. With these grandiose predictions he opened the railway. Afterwards the party visited the newly built inclined railway which brought the coal from the river valley up to the railway terminal, and they inspected the coal transferring facilities. Lunch was served in the town's solitary hotel while later in the evening Galt hosted a banquet in the company's boarding house at which many speeches once again lauded the N.W.C.&.N.Co.'s enterprise and the beneficial effects upon its surroundings.

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[90] Ibid., October 6, 1885.

[91] PAC, Macdonald Papers, Vol. 220, Galt to Macdonald, September 25, 1885.

[92] The Fort Macleod Gazette, October 6, 1885.

Steel rails tied the colliery securely into the CPR system. For five difficult years Sir Alexander had persisted against almost overwhelming odds to develop the Coal Banks reserves and bring the valuable resource to market. The chief obstacle had been the London investors as once again Galt learned that foreign capital did not flow automatically into the Canadian economy. While he started the project under the favourable conditions of the hot railway boom, within years the economic winds shifted and a cold indifference prevailed among British investors. He like other Canadian entrepreneurs, found that he had to cajole the shareholders for every dollar he needed. When he was elated with the generously enlarged land subsidy, the directors muttered about the added cost of the quickened pace of construction. When he calculated that the additional lands increased the firm's assets by about $200,000, or almost half the cost of the railway, which meant that the company's bonds, bought by the founding members at 75 percent, jumped to 90 per cent of their value, the bondholders grumbled about the $20,000 loss on operations in 1884. Right up to the completion of the railway his London partners questioned every expenditure; they complained when he ordered heavier and better quality rails, they demurred when he bought an extra locomotive and several cars; and they fretted when the Bank of Montreal refused to honour their overdrafts.[93] The London shareholders were governed by the desire for quick returns on their investments and thus they stressed the steamboat failure rather than the rapid completion of the railway; they distrusted Galt's broad visionary schemes which had expanded the original coal mine into a large land and railway company. As a result, all along the way, Galt had to fight his London associates in order to realize his entrepreneurial expansionist urge.

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[93] PAC, Galt Letterbook, Galt to Lethbridge, July 3, 1885.

Galt too was driven by the desire for profits, and the Coal Banks venture was very much designed to extricate him from his financial difficulties. Since the pecuniary motive loomed very large in his activities, he wrung every concession he could from the federal government, relying very heavily upon his many influential friends within the administration. In fact, without the willingness of the dominion to generously support private enterprise and minimize regulations, Galt's venture could have been delayed for several years at least. Yet, while the dreadful fear of bankruptcy dictated his actions, he also wanted to play a part in western development. In the 1840s, as an employee of the British American Land Company, he had breathed life into a stagnant colonization company and later had expanded the principle of railways and settlement to the large framework of Canadian confederation. As High Commissioner he had failed to implement a scheme of massive emigration, but now as a private entrepreneur he received a second chance. Despite frequent illnesses, financial problems and onerous government duties, he persevered through the disappointments of the floundering steamboats, the recalcitrant partners and slow-moving politicians to construct a railway, first of all to provide dependable transportation for the product of his colliery, but also to establish a colonization company. His pertinacity, on the one hand, injected life into an economically stagnant area; on the other hand, his determination also brought an end to the simple way of life. The railway symbolized the beginning of a technological society: the hissing, clangorous locomotives replaced the squealing bulltrain; technology and the ethos of progress arrived with the railway.

PART THREE

CHAPTER SIX

THE TIES THAT BIND

I. Economic Instability, 1886-1887

> Five months ago, the winds which swept down from the mountains passed silently over the site where they are now met in their onslaught by hundreds of buildings. Five months ago there was not a house in Lethbridge. Today there are fine business houses doing an extensive and prosperous business, and a population of 1,200 people.[1]

Eight hundred miles west of Winnipeg, eighty miles east of the snow-capped Rockies, clouds of dense black smoke spewing from colliery stacks broke the clear blue prairie sky. Far removed from other settlements a cluster of hastily built offices, warehouses and stores, interspersed with tents and houses, interrupted the flat, grassy plateau. As the various merchants vacated their tents for ramshackle buildings, the tent town of Lethbridge grew into a buzzing permanent settlement. Furniture, hardware, general stores, a livery and druggist serviced the community. Hotels, bunkhouses and boarding rooms furnished lodgings, a few billiard rooms provided entertainment, while several saloons conducted a thriving trade in illegal liquor. Stages left thrice weekly to Fort Macleod and a daily passenger train connected the young community with the CPR. To keep pace with the rapid influx of miners, railroaders, merchants and their families, two hundred buildings ranging in size from small cottages to large warehouses were built south of the railway station; the frantic pace of construction was curbed only by the scarcity of building materials. For the future, optimistic planners, notably the town's newspaper, visualized several churches and schools to accommodate the swelling population which had already grown in one summer from a handful to over a thousand, and which they expected to further double itself within the year. At the end of 1885 the future of Lethbridge looked bright indeed.[2]

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[1] The Lethbridge News, December 31, 1885. [Hereafter cited as LN.]

The nucleus of the town's activities centered on the railway station and the coal mine. At the side of the bluff on the bottom lands of the Belly River, miners rooted ever deeper into the river bank to extract the coal which had to pay for the development of Lethbridge. The colliery complex included engine and hoisting houses, machine and repair shops, offices for the storekeeper and superintendents as well as an assortment of rickety miner's shanties. The company also operated a ferry service across the river and a saw mill which had been hauled in from the Porcupine Hills. A ceaseless line of blackened coal cars lumbered up the inclined railway and rumbled onto a wooden trestle to dump their dusty black loads into waiting railway cars. From nearby came the metal sounds of the maintenance shops and the noise of bellowing cattle corralled in the stockyards awaiting shipment to the east. In front of the station, on the town square, appropriated by the swearing teamsters, bulltrains were being loaded for outlying points. An exciting scurry of prosperity and progress radiated from the station-colliery complex and stimulated the entire community.[3]

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[2] Ibid., December 4, 1885; December 31, 1885.

If the station-colliery was the settlement's nucleus, the railway functioned as its umbilical cord. Six locomotives, two water tenders, ninety-five coal cars, twelve freight cars, six stock cars, four cabooses, two passenger cars and one pay car maintained the life line between Lethbridge and the CPR main line at Dunmore.[4] The trains not only imported the necessities of life — clothing, tools, hardware and food — they also exported the coal which paid for these essentials. If this life line were cut, the colliery would slowly grind to a halt and Lethbridge would suffer accordingly. The narrow gauge, therefore, was an indispensable part of the N.W.C.&N.Co.'s corporate structure, a component which had cost an enormous amount of money. In addition to the tracks and rolling stock the company had constructed stations and maintenance shops at Woodpecker, Grassy Lake and Winnifred, as well as an expensive wooden, inclined threstle, running parallel to the CPR tracks at Dunmore, with eight coal shutes to facilitate the transshipment process. Coal could also be stored at Dunmore in ten holding bins of one hundred tons capacity each. By the end of 1885 the company had spent nearly $700,000 on the railway facilities alone and its shareholders were expecting dividends.[5]

By mid-November, after about three weeks of operations, the investor's expectations appeared to be satisfied. Total revenues for the railway already totalled $16,000 for ordinary and $23,000 for coal traffic while its running expenses for the same period amounted to an average of only $1,500 and interest on the bonds at $1,000 per week; thus the road earned about $1,000 per week for the company.[6] This initial success was reflected in the firm's financial status; the corporation held about £30,000 worth of applications for only £22,000 of shares. As a result Sir Alexander Galt planned to increase its capitalization to £150,000 in order to permit further expansion in operations.[7]

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[3] _Ibid_., February 5, 1886; April 5, 1886.

[4] _Ibid_., February 5, 1886.

[5] PAC, Galt Letterbook, Galt to Cutbill, August 28, 1885.

Beneath the bright flush of triumph some serious disappointments emerged, however. The CPR, which used Galt's coal extensively on its prairie run, closed off its mountain section and thus its coal consumption dropped dramatically, a slump further aggravated by a mid-winter mild spell which cut domestic use. Not until the return of cold weather and an increase in CPR service did production recover to an average of 200 and a high of 300 tons per day.[8] By the middle of March, however, the price of American coal fell drastically and threatened to drive Galt out of the coal market. It was a serious blow to the fledgling colliery and Sir Alexander laboured anxiously to improve his position. In order to compete while still earning a profit of fifty cents per ton, he had to sell annually at least 75,000 tons of coal for the CPR and private use, delivered at Dunmore for $2.50 per ton.[9] This required a substantial increase in productivity and so Elliot Galt purchased several coal-cutting machines in Pennsylvania. These compressed air machines, easily used on Lethbridge's level coal seams, greatly reduced wastage and increased production so that Galt could reduce the price of coal considerably.[10] By the end of April he had secured a one year contract with the CPR for delivery at Dunmore at $2.50 per ton all the coal the railway could use west of Winnipeg and east of the Rockies. Galt also planned to sell coal to the public at Winnipeg for $6.25 per ton.[11] Thus by increasing productivity and overall output Galt overcame the crisis and mining resumed, only sporadically throughout the summer but more regularly during the fall so that by December of 1886 three trains hauled away about 3000 tons per day.[12]

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[6] Ibid., memorandum, November 17, 1885.

[7] Ibid., Galt to Elliot Galt, November 24, 1885; Galt to Sirs, November 26, 1885.

[8] LN, February 12, 1886. The loss of CPR sales caused so much havoc in the finances of the N.W.C.&N.Co. that Elliot asked the CPR to pay for its coal although he still owed the company money under the freight agreement. Van Horne refused on the grounds that his company was short on cash and added that as soon as the freight credit was paid up "you ought very soon to be gorged with money and be able to help us over a shoal place now and then". PAC, Van Horne Letterbook, No. 14, Van Horne to Elliot Galt, November 20, 1885.

Unfortunately Galt also ruthlessly cut the cost of labour at the coal mine. He instructed the mine manager, William Stafford, to stock as much coal as possible at Dunmore and then to close the colliery and discharge the miners. All the unmarried workers were to be given tickets to Dunmore while the married men with families were to be rehired gradually with a 75 percent reduction in wage rates. "Don't hurry to engage the men," Galt cautioned Stafford, "we can afford to make good terms."[13] While drastic action was necessary, as he told Stafford, because "the coal must be produced as cheaply as possible in order to enable us to exclude American soft coal from the market,"[14] Galt's lack of compassion caused considerable hardship and the local press complained about the many vagrants in the area looking for work.[15] The incident clearly showed that Galt considered himself to be the master of his collieries who could lay off "obstreperous men"[16] as he pleased; it also taught that the community was dependent upon the coal mine which in turn was ruled by remote economic forces over which its managers had little control.

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[9] PAC, Galt Letterbook, Galt to Lethbridge, March 29, 1886. Galt hoped to sell 50,000 tons per year to the CPR and 25,000 tons per year to the public.

[10] Canada, Department of the Interior, Annual Report, 1886 (Montreal & Ottawa: Maclean, Roger & Co., 1887), p. 22.

[11] PAC, Galt Letterbook, Galt to Cutbill, April 27, 1886.

[12] The Macleod Gazette, December 14, 1886.

The second year of operations was hardly better. Beginning in the second week of January a series of vicious snowstorms blanketed the prairies, crippling the railways and cutting the life line to Lethbridge.[17] Elliot Galt, on his way to New York early in February, was imprisoned for five days in his own railway car while the train inched its way through fifteen foot drifts; in one particularly bitter day the crew of thirty men, aided by a snowplow and three locomotives, fought for the entire day in forty below temperatures and driving winds to move half a mile.[18] The lightweight trains simply could not clear the tracks and Galt cancelled his trip in order to work on the railway. The storms continued through February into March so that the track was not cleared until March 20 when the rapidly melting snows seriously undercut the roadbed and tore out some tracks.[19] On March 22, for the first time since January, the trip from Lethbridge to Dunmore was made within one day. Seventy-nine days were lost because of the storms and little coal had been sold. Despite the lack of revenue, Elliot Galt still had to meet the payroll and other expenses: he barely managed to do so.[20]

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[13] Galt Museum, Lethbridge, Alberta, GM 973.5158-GM 973.5161, Galt to Stafford, February 23, 1886.

[14] Ibid.

[15] The Macleod Gazette, March 16, 1886.

[16] PAC, Galt Letterbook, Galt to Lethbridge, March 29, 1886.

[17] LN, January 12, 1887.

No sooner had the transportation crisis melted when Elliot Galt encountered labour difficulties again. The miners laid down their tools to back up their demands for higher wages. Since the CPR's coal supplies were dangerously depleted and the N.W.C.&N.Co.'s cash reserves uncomfortably low, neither company could afford a work stoppage and thus Galt settled quickly.[21] Encouraged by their success, the miners repeated their action two months later in June but this time they misjudged. The coal shortage had eased and the company could afford to wait. Elliot closed the mine for two weeks and imported a crew of miners from eastern Canada and Ohio.[22] The workers tried to prevent the strikebreakers from entering the mine but a detachment of Mounted Police, rushed in from Fort Macleod, guarded the company's properties and prevented any outbreak of violence.[23] While *The Lethbridge News* made little comment on the strike, the *Macleod Gazette* applauded the company's action. Its position reflected the prevailing attitude that the owner and not the miner's union was the proprietor of the colliery and that Elliot Galt had justifiably thwarted the "tyranny" of the workers and rightfully refused their "unreasonable" demands.[24]

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[18] PAC, Galt Papers, Vol. 8, Supplemental, E.T. Galt to Lady Galt, February 2, 1887.

[19] _Ibid._, March 20, 1887.

[20] _Ibid._, March 22, 1887.

[21] _Ibid._, April 2, 1887.

[22] LN, July 6, 1887; _The Macleod Gazette_, June 21, 1887.

The two years of operations revealed the dependency of the region upon the N.W.C.&N.Co. During the snowstorms the community of Lethbridge and Fort Macleod experienced hardships; by February Macleod was out of coal and feed while other supplies arrived only sporadically.[25] The effect upon Lethbridge was even more devastating because the settlement's entire economy depended upon the company's payroll. Whenever the demand of coal fell, the colliery was closed and its miners summarily dismissed. These massive layoffs, even if temporary, caused great duress as the lines of credit became extremely tenuous. This subjugation to the company created a spirit of subserviency clearly illustrated in deferential editorials occasionally published in *The Lethbridge News*. One such article uncritically applauded the company's efforts in Lethbridge.

> The money which they have put in the development of this western country, and their enterprise has in this way been a benefit to everyone here. Liberal

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[23] The Macleod Gazette, July 12, 1887.

[24] Ibid. For a discussion of contemporary businessmen's attitudes toward labour see Michael Bliss, Living Profit.

[25] The Macleod Gazette, February 8, 15, 22, 1887.

> in all their dealings, and displaying none of that selfishness which is generally characteristic of large companies, they merit the confidence and good will of the people of the district, and this they enjoy to the fullest extent.[26]

The first two seasons of operations also showed that the market for coal was too small. For a few months in the early winter the colliery reached top production but in the summertime, when few people thought of ordering and stocking coal for the winter, the output was minimal. Dr. Alfred Selwyn, the Director of the Geological Survey, stated that while Lethbridge had good coal, "The population of the country is so scattered, however, at present and the means of transportation so costly and difficult, that were it not for the C.P.R., which uses immense quantities, the company could not afford to work the mines."[27] Unfortunately, the CPR was not an "immense" consumer of coal because a small population also meant limited traffic, especially in the far West where the bulk of Galt coal was burned. C.A. Magrath, the land agent for the N.W.C.&N.Co., outlined the problem more correctly.

> Lethbridge in the earlier days depended entirely on the Company's coal and railway pay sheets. The construction of the Canadian Pacific Railway had not brought to the West the anticipated prosperity. Our coal miners were busily employed for a couple of months in the winter only; in the summer it was a matter of a couple of days work weekly.[28]

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[26] LN, February 5, 1886.

[27] Cited in LN, October 26, 1887.

[28] C.A. Magrath, The Galts, Father and Son: Pioneers in the Development of Southern Alberta: and How Alberta Grew Up: Brief Outline of Development in the Lethbridge District (Lethbridge: The Lethbridge Herald, n.d.), p. 37.

The flood of settlers so confidently expected in the heyday of early CPR construction had not materialized and the N.W.C.&N.Co. suffered for lack of a market. The annual report for 1886-1887 revealed a loss on operations of £4,173.[29] After two years of operations the company was not selling enough coal to pay for its large investments and thus Sir Alexander had to devise a new policy to overcome this deficiency.

II. Seeking a Link with Montana, 1885-1888

The fitful operations of the previous two years lent urgency to Galt's desire to break out of the regional western Canadian market by building a railway to Montana. Such a plan, while it was economically attractive, ran counter to the Conservative scheme for the nation's development because their national policies were designed to encourage east-west rather than north-south trade. The CPR had been built north of Lake Superior at an enormous cost expressly for this purpose, and the large investment was protected from a massive traffic hemorrhage to the cheaper American roads by a monopoly in western Canada. No branch lines were allowed within fifteen miles of the international border and all roads south of the CPR had to run in a southwesterly or west of southwesterly direction. Thus Galt's proposal, even though it was planned for the far West, defied this monopoly clause and so threatened the national railway system of which he was a devoted advocate.

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[29] The Macleod Gazette, February 29, 1888.

The plan, conceived early in 1885, was simply the design of a group of Canadian and American businessmen to build a railway from the N.W.C.&N.Co's line to Fort Benton, Montana, at a cost of about $7,000 per mile, a relatively high figure because the projected route crossed two wide rivers. The road was designed to carry coal and general supplies to Montana and transport American cattle to the CPR main line.[30] The feasibility of the project was confirmed by William Barclay, who travelled through the area immediately after completing the Dunmore railway.[31] By the end of 1885 Galt, again acting as the promoter, had arranged the financial details for the scheme's principal backer, Sir David L. Macpherson, the Minister of the Interior and past associate of Galt in his various eastern Canadian railway endeavours.[32] Another former associate interested in the Montana plan was Walter Shanly, Member of Parliament for Grenville South, a very noted railway engineer and former manager of the Grand Trunk Railway. Galt furthermore attracted Sir Roderick Cameron, an expatriate Canadian living in New York, with large landholdings in the Lethbridge area, and whose wealth was founded on a prosperous shipping firm with packets sailing between New York, London and Australia.[33] Lastly, Galt won over his brother-in-law,

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[30] PAC, Macdonald Papers, Vol. 220, Galt to Macpherson, May 21, 1885. The presence of this letter among Macdonald's papers indicates that the Prime Minister was made aware of the plans.

[31] PAC, Galt Letterbook, Galt to Conrad, October 17, 1885.

[32] _Ibid._, Galt to Barclay, December 22, 1885.

[33] Henry James Morgan, _The Canadian Men and Women of the Times: A Hand-Book of Canadian Biography_ (Toronto: William Briggs, 1898), pp. 144-145. The names of the directors of the company are listed in the Act of Incorporation of the A.R.&C.Co.; see Canada, _Statutes of Canada_, 52 Victoria, Chapter 50, March 20, 1889.

William M. Ramsay, a director of the N.W.C.&N.Co., the Intercolonial Railway, Molson's Bank, and the manager of the Canada Standard Life Assurance Company.[34] Once again Galt had gathered together an impressive group of investors to provide financial prestige and stability to the endeavour.

For the American part of the railway, Galt found an equally powerful group of financiers. The leader of the group was William G. Conrad, a very wealthy and powerful Fort Benton merchant, who in the early 1870s had bought out George Baker's share in the thriving I.G. Baker firm. Conrad became the dynamic personality in the company and under his shrewd leadership the firm expanded so rapidly that by 1878 it handled 2.5 million dollars worth of merchandise. Conrad's competitor, but friend, Thomas G. Power, also became involved in the Canadian railway. Power had arrived in Fort Benton in the summer of 1867 fully equipped to revitalize the decayed commercial empire of the American Trading Company. As early as 1875 he had combined the factors of a fuel-starved Montana and empty bulltrains heading southward from Fort Macleod to Fort Benton to establishsa profitable coal trade; he bought coal at Nicholas Sheran's mine for five dollars and sold it in Montana for twenty-five dollars a ton. Powers was a leading figure in the Republican Party and eventually became a senator. These two men, Power and Conrad, virtually controlled Benton's economic hinterland and their profits from the fur and Indian trade, its associated wagon and boat cartage endeavours, plus fat government contracts were all channelled into mining and milling, retail and merchandizing, as well as banking enterprises. Aided by Conrad's Democratic leanings, the two men received government contracts from both parties and their influence even extended to the Canadian government as they received large contracts to supply the North West Mounted Police and other government agencies. The two men received much of their financial backing from Samuel Hauser, who tapped credit sources in St. Louis, New York, Montreal and Europe. Hauser, who later became governor of Montana, had earned his wealth during the early gold rushes in California and Montana and in 1879 he backed Power and Conrad to establish the Benton National Bank whose profitable financial network at one time furnished the funds for the dominion government's activities in western Canada. With the completion of the CPR to Medicine Hat in 1883 the freighting business collapsed and the triumverate lost its financial control over the southwestern Canadian territories; Power sold his interests to the Hudson's Bay Company, but the I.G. Baker stores continued to operate in Canada.[35] Thus when Galt proposed a railway to replace the obsolete Whoop-Up Trail, the American businessmen eagerly seized the opportunity to re-establish their commercial ties with the developing Canadian Northwest.

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[34] Morgan, Canadian Men, pp. 842-845.

William Conrad especially was pleased to support the railway because a mountain range separated the most northernly American transcontinental from Fort Benton. He and other merchants naturally looked northward for a supply and trade outlet.[36] It was this reversal of the Whoop-Up Trail which Galt thought would appeal to George Stephen and the CPR. Since this road, built as a standard gauge, would be a feeder into rather than a drain on the CPR system, Galt asked Stephen for assistance with the venture. To his surprise Stephen could not overcome his phobia of any railway, other than his own, running into the United States; consequently, when Galt asked Parliament to approve two charters for railways to Montana, the legislation went no further than second reading.[37] Without CPR approval or repeal of the monopoly clause, Galt's proposal was not acceptable to the legislature.

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[35] See James McClellan Hamilton, From Wilderness to Statehood: A History of Montana, 1805-1900 (Portland, Oregon: Binfords & Mort, 1957); Michael P. Malone and Richard B. Roeder, eds., The Montana Past: An Anthology (Missoula: University of Montana Press, 1969); Rodman Wilson Paul, Mining Frontiers of the Far West, 1848-1880 (New York: Holt, Rinehart and Winston, 1963); and Paul F. Sharp, Whoop-Up Country: The Canadian American West, 1865-1885 (Minneapolis: University of Minnesota Press, 1955).

Although Galt's charters were not debated in the House, his coal company did come under heavy attack in a separate argument on the evening of May 4, 1886. In a lengthy and angry tirade, John Charlton, the Liberal member for North Norfolk, denounced several Conservative members for lavishly bestowing upon their friends lucrative timber limits, coal reserves and ranch leases as well as generous rail subsidies. When he referred to coal lands, Charlton charged that some members had obtained for their friends valuable coal properties without any competition and thereby created a coal monopoly in the Northwest.

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[36] PAC, Macdonald Papers, Vol. 220, Galt to Macpherson, May 21, 1885.

[37] Canada, House of Commons, Debates, March 12, 1886, pp. 92, 102; May 14, 1886, p. 1309; see also LN, January 15, 1886; February 5, 1886; February 19, 1886; March 26, 1886; and The Macleod Gazette, November 9, 1886. Besides the Medicine Hat, Dunmore and Fort Benton Railway, Galt also sought a charter for the Alberta Railway Company to go from Lethbridge via the mineral rich Crowsnest Pass to Butte, Montana.

> The policy of the Government with regard to the coal lands of the North-West was not one in the best interests of the settler. It was not to the interest of the settler that a coal mining monopoly should be granted, and that the Government should second efforts to take the coal lands of the North-West and put them in a few hands who might monopolize the business of mining and compel the people to pay so much more for their fuel, which is so necessary in a cold climate like that.[38]

Charlton received support from several Liberal members; at one point James Lister, the representative for West Lambton, shouted that the government "has given away recklessly coal lands, the fuel that ought to be preserved for ourselves and future generations. Not only that, but it has placed its hands in the public Treasury to pay out money to one of the greatest monopolies in the North-West, Sir A.T. Galt's coal monopoly."[39] The opposition still believed that Galt had received undue assistance to establish a coal monopoly.

The general allegations of corruption and the implications of gross misconduct were neatly fielded by the new Minister of the Interior, Thomas White, who listed the basic charges one by one and coolly dismissed them. On the matter of the coal monopoly, he simply pointed out that the introduction of Galt coal into Winnipeg had dropped the price from seventeen to seven dollars per ton and that closer to the mine the price was reduced by a third; therefore, even if the government had favoured the Galt enterprise, the object of providing cheaper fuels for prairie settlers had been attained. White also used the old argument that competitive bidding for Northwest coal leases was impossible because of the extensive deposits, and he pointed out that anyone could obtain coal lands under the government's regulations.[40] The government's position based on plentiful supplies and lack of developers was reaffirmed by the Minister of the Interior.

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[38] Canada, House of Commons, Debates, May 4, 1886, p. 1039. As an aside Charlton also rebuked the government for paying Galt $1,500 for making his trip to the Northwest to inspect his mines. See Ibid., p. 1040.

[39] Ibid., p. 1060.

The quarrel continued into the early morning hours as member after member rose to destroy or defend the administration's position. Finally at quarter to six in the morning, the House defeated Charlton's motion for an investigation into his charges of government misconduct.[41]

Although in 1886 Galt was the largest solvent producer of coal in the territories, he did not have a complete monopoly. To be sure, he had a complete hegemony in the vicinity of Lethbridge because he deliberately set the coal tariffs on his railway to preclude any other collieries from shipping by his road.[42] Elsewhere along the CPR any promoter could choose to compete; thus the fact that no one else was as successful as Galt had a more subtle reason than those alleged by the politicians. The real threat to Galt, for example, came from the Kicking Horse Pass where C.W. Moberly, the CPR surveyor, had uncovered the rich anthracite deposits near Banff, whose immense value was confirmed through studies by George M. Dawson and C.D. Wilber, a Chicago mining expert.[43] In October of 1886 McLeod Stewart, then the Mayor of Ottawa, formed the Canadian Anthracite Company to exploit the reserves.[44] Throughout the summer a ninety-man crew drove a tunnel into the mountain to reach the valuable coal, laid out a townsite in the beautiful mountain valley below the mine entrance, erected freight sheds, a spur line to the CPR and a telephone connection to Banff.[45] The company's prospectus, published in 1885, glowingly promised sales of 250,000 tons of coal per year to the CPR, towns along the railway, and the Pacific naval stations of the British Admiralty.[46] Stewart ran into a serious problem, however, when George Stephen refused to sign a large, long-term contract because it was CPR policy to buy its coal as cheaply as possible. Despite the presence of one CPR director, Sanford Fleming, as one of Stewart's associates, Stephen decided to act in the best interest of the railway. To justify the company's contract with Galt, Stephen explained, "Perhaps I ought further to say that, in dealing with Galt, we departed from sound business principles and made a contract with him for five years supply, and upon terms which we should never have thought of except that, he being the 'pioneer collier', we wanted to get the business started. I fear, if we had not done so, it would be a 'cold day' now for the Galt coal mine."[47] Why Stephen should have favoured Galt so benevolently above Stewart as "pioneer collier" is not entirely clear. Perhaps Galt wielded greater political power, perhaps his sub-bituminous coal was better suited for steam locomotives than Stewart's anthracite; certainly the much lower price of Galt's coal was a factor which entered the considerations.[48] In any case, for some time Galt was the only western supplier of fuel to the CPR, an important factor in the fledgling mining industry.

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[40] Ibid., p. 1045.

[41] Ibid., pp. 1074-1075.

[42] Galt wrote, "I regard therefore the control of our railway is the key of our position and that it is more to our interests to allow a larger return from the railway than the colliery - whatever tariff we adopt for ourselves we must by law extend to the public generally - and if, we should put the cost of transporting coal to its simple expense we should have to do the same for other mines, who could then compete with us." Thus he suggested to take less profit on the colliery and more on the railway "to keep others out." PAC, Galt Letterbook, Galt to Cutbill, July 22, 1885.

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[43] Canadian Anthracite Coal Company, Prospectus of the Canadian Anthracite Coal Company: Collieries at Banff Station, Canadian Pacific Railway, District of Alberta (Ottawa: Maclean, Roger & Co., 1885), pp. 5, 10.

[44] Ibid., p. 1. The company was capitalized at $500,000, an indication of the serious intent to work the seam.

[45] Canada, Department of the Interior, Annual Report, 1886, p. 23; The Macleod Gazette, October 12, 1886.

[46] PAC, Macdonald Papers, Vol. 429, Stewart to Macdonald, September 2, 1886. Canada Anthracite Coal Company, Prospectus, pp. 3-7.

The second aspect of Galt's success, which became more apparent in subsequent years, was the land grant which enabled him to establish a large-scale operation backed by powerful foreign financiers. None of the other coal mines could duplicate these circumstances. Just outside of Cochrane on the CPR main line, G.W. Moberly and associates spent $14,000 on a shaft which constantly flooded,[49] while further west near Midford, Major Vaughan carried out only a small operation.[50] Close to Medicine Hat the Saskatchewan Coal Mining and Transportation

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[47] PAC, Macdonald Papers, Vol. 270, Stephen to Macdonald, September 4, 1886.

[48] By way of comparison, Galt sold his coal at Winnipeg for less than seven dollars a ton while Stewart planned to sell it for eleven, a much higher price despite its quality. See Canada Anthracite Coal Company, Prospectus, pp. 3-7.

[49] Canada, Department of the Interior, Report, 1886, p. 23.

[50] Ibid.

Company succumbed to a plague of labour difficulties and financial problems and sold its properties to a relatively small company of Toronto investors called the Medicine Hat Railway and Coal Company which planned to build a railway just southwest of Redcliff.[51] Two townships to the east, the Bow River Coal Mine, Railway and Transportation Company, a consortium of British, Montreal and Toronto financiers, announced plans for a short railway from its mine to Medicine Hat.[52] Despite these plans, during 1886, production of all these companies was negligible and offered no competition to Galt.

The basic problem for the coal-mining industry in the Northwest at this time was the lack of markets. Although Galt enjoyed the security of the CPR contract, it was not enough to support his large investment. The annual report released in 1887 revealed an operational loss of $20,000 for the previous year.[53] In order for the company to survive, it had to expand and thus Galt brought his London friends into his scheme for a railway to Montana. Once again Galt applied for a charter but the bill to incorporate the Alberta Railway and Coal Company (A.R.&C.Co.) was withdrawn from Parliament a second time in June of 1887.[54] The CPR monopoly had withstood the mounting pressure for repeal once again. It would not be able to do so much longer. Politics as well as economics demanded an end to the monopoly position.

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[51] Canada, Statutes of Canada, 49 Victoria, Chapter 86, June 2, 1886.

[52] Ibid., Chapter 87, June 2, 1886.

[53] The Macleod Gazette, February 29, 1888.

[54] Canada, House of Commons, Debates, May 10, 1887, p. 359; June 2, 1887, p. 707.

The recurrent withdrawals of the railway charters angered many westerners and through their newspapers they sharply attacked the monopoly clause in the CPR contract. The *Macleod Gazette* and *Lethbridge News* carried on a running debate which illustrated the wider implications of the monopoly issue. The position of the *Gazette* was relatively straightforward as its editor sharply rebuked the CPR, which was heavily subsidized by western lands, for charging exorbitant freight rates which served only the eastern capitalist but stifled western economic growth. According to the paper, the N.W.C.&N.Co. was a good case in point because that company had to increase its production from 300 to 1,000 tons per day but could not do so without the road to Montana. The editor strongly urged, therefore, that western politicians force the government to repeal the monopoly clause and permit the rail connection with the United States which was so vital to western Canadian development. The paper went even further to adopt the Liberal party's platform of commercial union with the United States, a policy gaining favour in Ontario and the Maritimes but radically opposed to the Conservative's national policies. The removal of tariffs between the United States would, according to the *Gazette*, greatly benefit the N.W.C.&N.Co. because it could then compete with American coal unhindered by high tariffs and monopolistic freight rates.[55]

The position of the *Lethbridge News* was more complex and thus its tone was more muted than that of the *Gazette*. Lethbridge was still Sir Alexander's town and Galt was a supporter of the Conservative party as well as a staunch imperialist.[56] His anomalous position was reflected by the town's newspaper. While the *News* agreed that the CPR monopoly and high American tariffs shut Galt's coal out of the American market, commercial union was not the panacea for the economic ills of the Northwest because this plan would eventually make Canada an economic adjunct of the much larger neighbour and destroy the imperial connection. "With commercial union in force, and unrestricted railway connections with the United States, it is certain that our Northwest merchants would purchase a large if not the largest portion of their stock from St. Paul, Chicago and other American wholesale cities."[57] In emotional and patriotic terms, the removal of tariffs between Canada and the United States was unacceptable to the nationalistic and imperialistic sentiments of Galt and the editor of the *News*; in a practical, economic sense, however, a rail connection with Montana was essential to the survival of Lethbridge. Thus the *News* went on to argue, rather in a self-centered way, that a special exception should be made for Galt's Montana-Alberta railway and the charter should be granted but the tariff remain. The *News* pointed out that Montana suffered from chronic fuel shortages and so Galt's coal could compete with American coal despite high tariffs. In this very restricted sense, Lethbridge could remain within the national, economic context of the Canadian and imperial systems because

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[55] The Macleod Gazette, February 8, May 3, 17, June 14, November 8, December 20, 1887.

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[56] In 1886 Sir Alexander wrote several letters to Joseph Chamberlain advocating imperial federation. See PAC, Galt Letterbook, Galt to Chamberlain, April 20, 1886; and Galt Papers, Vol. 8, Supplemental, Galt to Chamberlain, July 20, 1886. Galt was also a member of the Imperial Federation League. Ibid., Galt to Lady Galt, July 3, 1886.

[57] LN, December 29, 1887.

Montana would become the hinterland of Lethbridge. Galt's project, according to the paper, would not disrupt the east-west pattern of Canada's economic nationalism and retain the strong financial and emotional ties with Montreal and London.[58] Thus did the *Lethbridge News* and Galt justify the link to Montana while still adhering to the principles of Macdonald's national policies.

The heated discussion between the two papers echoed a national debate. Many westerners heartily endorsed any attack upon the transcontinental, and Manitobans, for example, pressured their government to break the CPR stronghold over the western economy. The Manitoba government, buckling under this pressure, approved a rash of railway charters which deliberately violated the monopoly clause, while the federal government, motivated by a desire to maintain a national economic unity, promptly disallowed them. Sectional interests triumphed, however, because Premier Norquay, besieged by farmers wanting low competitive freight rates and weakened by a recent provincial election, resolved to build as a public work the Red River Valley Railway to link Winnipeg with the Union Pacific. A hail of legal injunctions pelted by the CPR, a lack of interest among British and American investors, and a political scandal upset the plan but he had made his point. The tide of anti-CPR feeling could not be turned, especially in the fall of 1887 when, after several years of crop failures, the prairies grew a bumper crop too large for the CPR to transport. The federal government, weary of the continual struggles with Manitoba and very concerned about the grain blockade, relented and offered the CPR compensation for the loss of the monopoly. After a set of lengthy and complex negotiations among the three parties, the monopoly clause was broken and branch line construction could begin.[59]

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[58] Ibid., January 5, December 7, 1887.

Galt's reaction to the promised repeal of the monopoly clause was immediate and on March 27, 1888 Donald W. Davis, the member for Alberta, re-introduced a bill to incorporate the Alberta Railway and Coal Company of which he himself was a director.[60] The company proposed to build a railway from Calgary through Lethbridge to the international border where it was to meet an American line running to Butte, Montana.[61] Galt was so confident of the bill's passage that he withdrew all the town lots from sale in anticipation of the impending land boom in Lethbridge.[62] The wait was to be longer than he had expected because in May the bill was withdrawn for a third time.[63]

This time the opposition demurred and demanded to know why these railway bills kept appearing and disappearing. In reply, Sir Hector Langevin explained that the Senate had tacked a number of amendments to the CPR legislation and returned it to the House; because Parliament was scheduled to prorogue in a few days there was not enough time to repeal the monopoly clause; therefore the branch line charters could not be passed this session.[64] This facile answer did not satisfy an angry John H. Wilson of the Elgin constituency because the CPR monopoly would choke western economic growth for yet another year. He also wondered if the backers of the Alberta Railway and Coal Company could be patient and retain their interest in the project until the next session.[65]

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[59] W.L. Morton, Manitoba: A History (2nd ed.; Toronto: University of Toronto Press, 1970), pp. 211-16, 234-40.

[60] Since no records of the A.R.&C.Co. have come to light, one can only surmise that the original company was dissolved as soon as the Dunmore railway was completed and that at this time Galt reinstated his plans for this company.

[61] Canada, House of Commons, Debates, March 27, 1888, p. 454.

[62] LN, May 16, 1888.

[63] Canada, House of Commons, Debates, May 19, 1888, p. 1585.

The same question was also on the mind of Sir Alexander and, in order to retain investor support, he asked Prime Minister Macdonald to secure approval of his charter and land grants through an order in council. He argued that his petition was justified because the third postponement of his railway legislation jeopardized the negotiations for financial arrangements and a merger between the Alberta Railway and Coal Company and the N.W.C.&N.Co. He also promised to widen the Dunmore road to permit a direct link with the CPR.[66]

In reply to Galt's request Macdonald instructed the Minister of the Interior, Edgar Dewdney, to recommend approval in principle of the railway charter and its land grant.[67] The projected route to Montana could receive 6,400 acres per mile, the right of way, and station sites; and, as soon as the company widened the Dunmore section to standard gauge it could receive an additional 2,560 acres per mile for that road.[68] If Parliament concurred, the second land subsidy would almost double the land holdings of the N.W.C.&N.Co. and make it a large colonization company. Although it was the smallest of the colonization railway companies, it became the most successful. But before Galt could think about settlement he had to secure Parliamentary approval of the charter and land grant.

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[64] Ibid.

[65] Ibid.

[66] PAC, Department of the Interior Records, (RG 15) Vol. 291, File 62709-3, Galt to Macdonald, May 23, 1888.

[67] Ibid., Macdonald to Galt, May 26, 1888.

III. The Second Land Subsidy

On February 8, 1889, Walter Shanly, member for the constituency of Montreal, introduced into the House of Commons for the fourth time a bill to incorporate the Alberta Railway and Coal Company (A.R.&C.Co.) of which he was himself a director.[69] The company proposed to build the long awaited railway to the American border which would give Galt access to the Montana fuel market. When the bill reached committee stage it encountered heavy opposition as James Trow of South Perth resurrected the allegations of the coal monopoly. Specifically he charged that, while it cost four dollars to mine and ship the coal to Calgary, it was sold there for a lucrative eight dollars a ton; furthermore, since the same price prevailed at Winnipeg, which was so much farther from the mine than Calgary, monopoly conditions had obviously created artificially high prices west of Winnipeg. To Trow, and other representatives, it was deplorable that the government was subsidizing the establishment of a coal monopoly in western Canada and they were determined to break it.[70]

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[68] Canada, Order in Council, May 31, 1888.

[69] Canada, House of Commons, Debates, February 8, 1889, p. 30.

A number of government members rose to defend Shanly's bill and they all concurred that in undeveloped regions railways should not be discouraged through excessive restrictions but rather encouraged by government subsidies. Shanly simply claimed that, although he had never heard any complaints about exorbitant prices, there was little his company could do since freight rates were set by the CPR; in any case, the price of coal was irrelevant to this particular bill.[71] Thomas Daly, the member for Selkirk, explained the high prices were caused by the several reverses, like the snowstorms, which the company had suffered in the past, but he was confident that the widening of the Dunmore line would reduce the high price of coal.[72] The most stirring appeal came from Peter White, the future Speaker of the House, who expressed the preoccupation of the government with western development and its urgent desire to attract investment dollars.

> I have had the opportunity of visiting the coal mines of the Alberta Coal Mining Company [actually the N.W.C.&N.Co.] and of passing over the railway they have built from Dunmore to Lethbridge. Any gentleman who has visited that locality and has given attention to the large amount of money that that company has expended in the construction of that road, which runs through a country that is almost totally uninhabited, and which has no trade except what is derived from the carriage of coal, anyone who looks at the large amount of capital that has

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[70] *Ibid.*, February 20, 1889, p. 235.

[71] *Ibid.*

[72] *Ibid.*, p. 238.

> been expended in developing the coal mines at Lethbridge, and who has knowledge of all the circumstances in connection with the opening of those coal mines and the difficulties the gentlemen engaged in that enterprise have had to encounter, would not deny them the privilege of obtaining a larger market such as they are likely to get under the operation of this Bill now before the committee.[73]

The development of the western resources remained firmly entrenched as the government's policy.

Two days later, Robert Watson of Marquette reopened the debate by observing that the N.W.C.&N.Co., despite the large land subsidy and cheap coal lands, had always operated in the interest of the company rather than the settler, a natural phenomenon because businessmen always wanted as much profit as possible. To illustrate his point that private enterprise took advantage of government concessions, he showed that the firm earned about four dollars for every ton of coal sold in Calgary and two dollars in Winnipeg. Since the company sold about twenty thousand tons of coal in Winnipeg per year, the profits were tremendous. "There is no doubt of the immense importance that we should have cheap coal in Manitoba and in the North-West, and that cheap coal we cannot have so long as there is a coal monopoly," Watson charged angrily, "and there is practical monopoly existing today because the

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[73] Ibid., pp. 235-236. The actual price of Galt's coal at Winnipeg may have been as low as $6.76 per ton and U.S. anthracite as high as $8.75 per ton. All the mines of the North West Territories sold only 12,000 rather than 20,000 tons of coal on the Winnipeg market. See Canada, Department of the Interior, Annual Report, 1889 (Ottawa: Queen's Printer, 1890), p. xvi. LN, March 6, 1889, gives a detailed rebuttal of the figures used by Watson from which it is safe to conclude that Watson did exaggerate to some extent.

Galt Coal Company have the only railway that can carry coal from the mines where good coal is turned out to the line of the Canadian Pacific Railway."[74] Watson concluded that the government had to move quickly to protect the resources and interests of the people, and so he moved that a maximum rate for the transportation of coal be inserted into the bill.

Once again Shanly was called upon to defend his legislation. Making no attempt to explain the price discrepencies along the CPR main line, he essentially pointed out once again that the CPR and not the N.W.C.&N.Co. determined the freight rates once the coal was set down at Dunmore. Shanly, cleverly played on the abhorence of government price controls in the prevailing free enterprise philosophy, further argued that because the railway and colliery were the same corporation, Parliament might as well fix the price of coal as set the freight rate.[75]

Nicholas F. Davin, the Conservative member for Assiniboia-West, presented the most cogent argument against the N.W.C.&N.Co. and the policies of his colleagues. He felt that Galt's company definitely had a monopoly on the coal supply in the Northwest. "I am sorry to say I cannot agree with my hon. friend [Shanly] that the Galt Mine has solved the fuel question in the North-West," he said, "The fuel question in the North-West cannot be solved when in the capital of the North-West the lowest price charged for soft coal is $8.50 per ton...."[76] He continued by pointing out that four hundred miles farther from the mine, at Winnipeg, the coal cost only eight dollars, and he angrily charged that, "... they [Galt's] will put on the very last cent that they can put on ... and when you pay $9 for soft coal and $13 for hard coal, you are burning gold, and you cannot be said to have solved the fuel question."[77] The problem, according to Davin, was much more serious than simply the coal monopoly, and in emotional words he incisively criticized the government for favouring eastern Canadian and foreign businessmen rather than local, western developers.

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[74] Canada. House of Commons, Debates, February 22, 1889, pp. 282-283.

[75] Ibid., p. 283.

[76] Ibid., p. 284.

> Our system has been to skim the cream and let it go into the pockets of the Canadian capitalist, or the British capitalist, or the Scottish capitalist, as the case may be. Our system has been not to strengthen the young territory, to coax it into vigor and leave it what native energy and physical resources might properly belong to it; on the contrary, we have taken away the strength that should be there, the milk that should have been there to nourish it, and then we have left it to fight the battle of life and struggle into existence as best it could. What is the result? The result is that we find rich men, rich companies, have hold of the North-West here and there, they have in fact, pecked the eyes, to some extent, out of the North-West. We find the country full of interests of persons hundreds of thousands of miles away from the country; and when you come to a town like Regina, or any other town along the line of railway, you find a lot of struggling men, whereas, if you had pursued the system you ought to have pursued, of allowing the wealth of the country to remain in the country, while it was young, you would have in all those places at the present moment rich young men to help them forward, and you would have the profits of their early enterprise helping to build the country up.[78]

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[77] _Ibid._

[78] _Ibid._, p. 285.

Davin concluded by stressing the shortsightedness of Canada's railway policy and argued that the territorial Assembly with its local insight into peculiar western problems should control the disposition of the natural resources of the Northwest. While Davin heartily endorsed the concept of western development, he had, perhaps unwittingly, laid bare its fundamental problem — to what extent should the government subsidize private enterprise to utilize the resources and at the same time ensure attractive profits for the companies while realizing maximum benefits for the people?

The government itself was willing to make generous concessions to encourage investment in western resources, especially in the case of Galt's enterprise. Parliament rejected Robert Watson's maximum freight rates amendment and approved Galt's charter in February of 1889.[79] Two months later the government vigorously defended the land grant legislation against renewed accusations of coal monopoly and excessive prices. In defense, Shanly once again pointed out that the CPR and the various coal agents were responsible for high prices and not the N.W.C.&N.Co. The land subsidy was justified, according to him, because of the high construction costs in the isolated Northwest and in the case of the Galt company was well-deserved because that concern was successful in attracting money to the Northwest.

> There is no other instance in the North-West Territories so forcible of what capital can do as is there [Lethbridge] presented. An enormous capital has been there expended by this company, every

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[79] Ibid., February 25, 1889, p. 299. The Act named Galt, Cameron, Ramsay, Conrad, Hauser, Shanly, E.T. Galt, and Donald W. Davis, M.P. for Macleod, as directors of the company. See Canada, Statutes of Canada, 52 Victoria, Chapter 50, March 20, 1889.

> dollar of which has come from abroad; the lands already sold have not diminished that capital burden to the extent of five cents on the dollar.[80]

Shanly's theme that Galt's endeavour was beneficial to the district and thus worthy of generous support was further expounded by Nicholas Davin, who at this time acknowledged the utility of the N.W.C.&N.Co. to the Northwest. In laudatory terms he stated

> Anyone who visits Lethbridge will see that the Galt Company has been a great blessing to it, and to the North-West generally. The growth of that town and the population which the Galt Company has brought in, and the general rush forward which that Company has given to that territory, must make every North-West man feel grateful to the Galt Company for what it has done.[81]

Davin only hoped that the existing coal monopoly would soon be broken by a glut of coal mines scattered across the territories. In sum, then, the government felt that the Galt enterprises deserved the generous land subsidy.

In this debate the criticism of government policies took a little different twist as Sir Richard Cartwright, the eminent Liberal finance critic, strenuously objected that the House was required to pass legislation granting over six million acres of land with only twenty-four hours remaining in the session and only fifty members present. Through skillful questioning he forced Edgar Dewdney, the Minister of the Interior, to admit that less than forty million acres of railway lands remained from which to select these grants, testimony to the government's careless attitude. The sloppiness of government action was also illustrated, according to Cartwright, by its failure to specify the location of the N.W.C.&N.Co.'s land grant. Lastly, he criticized the government for increasing the N.W.C.&N.Co.'s subsidy merely for widening an existing road.[82]

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[80] Canada, House of Commons, Debates, May 1, 1889, p. 1715.

[81] Ibid., p. 1716.

In support of Sir Richard's critique, Robert Watson once again suggested government controlled rates on the Galt railway and in doing so indirectly touched on the heart of the Northwest coal question. "The principal traffic on the railroad is and will be coal," he correctly pointed out, "and while I do not object to the Government giving a land grant to aid in developing the coal mines, I content that they should limit the company to charging a certain rate on the coal."[83] According to Watson, since the Canadian public built a railway largely for the benefit of the company, the government had the right to set the tariff on the road. Or, as Cartwright put it, since the Galt collieries were subsidized, the free enterprise laws of supply and demand no longer applied and government control of coal prices was legitimate.[84] In other words, these politicians felt that subsidies should profit the public and not the companies; no firm, which had been assisted by the Dominion government to exploit a natural resource, must be permitted to charge all that the traffic could bear.

The accusations of a coal monopoly had some merit but none of the legislators understood how this had happened. The N.W.C.&N.Co.

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[82] Ibid., pp. 1712-1714.

[83] Ibid., p. 1715.

[84] Ibid.

achieved this distinction not by design but indirectly through government policy. None of the legislators understood that no other company had been able to establish a successful coal extraction and distribution system on the prairies because no other promoter offered investors the security of a large land grant to lure sufficient capital for the construction of an efficient coal mine. Near Medicine Hat, for instance, several companies were still struggling to organize profitable establishments. The Medicine Hat Railway and Coal Company, southwest of Redcliff, had stopped production in 1887 because of financial problems and subsequent litigations. While its promoters re-incorporated themselves a second time and planned to work the south rather than the north bank of the Saskatchewan, further legal complications thwarted the project and the properties were sold to a small company which planned to supply only the local market.[85] Also on the southside of the river, the Medicine Hat Coal and Mining Company had sunk a shaft but marketed no coal until it could finance a branch line to the CPR, a dubious prospect because of the poor quality of lignite in the Medicine Hat area.[86]

Further west along the CPR other futile attempts were made to mine coal. The Moberly mine near Cochrane was abandoned because of flooding while the Vaughan mine near Midford was deserted because wasteful mining techniques by its short-sighted owners had ruined its workings. In 1887 T.B. Cochrane opened the Bow River Mine and installed a coke oven, but he too halted production within two years due to the lack of capital. He was unable to float a $500,000 bond issue in Great Britain to properly develop the colliery.[87]

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[85] Canada, Department of the Interior, Annual Report, 1887 (Ottawa: Maclean, Roger and Company, 1888), Part I, p. 15; Annual Report, 1888 (Ottawa: Queen's Printer, 1889), Part I, p. 12; Annual Report, 1889, Part I, p. 25.

[86] Ibid.

Similar financial difficulties hampered the Anthracite development. Throughout the winter and spring of 1887, McLeod Stewart and his associates spent large sums of capital to raise mine production to five-hundred tons a day; the company employed over a hundred miners to blast a three-hundred foot tunnel into the mountainside to reach the valuable anthracite and, in the fall of 1887, the firm sent several large shipments of coal via Vancouver to San Francisco.[88] Government officials were ecstatic about this wedge into the American fuel market and William Pearce, the Inspector of Mines, wrote in typical western style that this vigorous company would soon be shipping "an incredible amount" of coal from the "almost unlimited supply of anthracite of first class quality."[89] Unfortunately, in spite of the optimistic outlook and the good quality coal, the colliery ground to a halt in July of 1888 and the company summarily dismissed two hundred miners, leaving only a skeleton crew to continue exploration and development work.[90] Unlike the other coal mines, McLeod Stewart's operation was not a small enterprise as among his associates were men like Sanford Fleming of the CPR and W.B. Scarth of the Canada North West Land Company;

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[87] Ibid.

[88] The Macleod Gazette, March 29, October 24, 1887.

[89] Canada, Department of the Interior, Annual Report, 1877, Part I, p. 15.

[90] Ibid., Report, 1888, Part I, p. 12; Report, 1889, Part I, p. 25.

nevertheless, the firm had run out of money and for more than a year Stewart vainly tried to attract new capital. Ironically, because the colliery was located on the CPR main line, it could not, like the N.W.C.&N.Co., earn a large land grant for the construction of a resource railway. Without the land security, Stewart was forced to sell the company's properties and, in July of 1889, a new syndicate announced its plans to resume shipments to American coastal cities.[91] By the end of the year, however, no coal had been extracted.

In sum, in 1889 Galt enjoyed a coal monopoly west of Winnipeg only by virtue of the fact that he was the only solvent producer of coal in the Northwest, a situation brought about to a large extent by his ability to use the land subsidy to entice large-scale investments. In the limited regional market only a healthy colliery with a good quality coal could survive and Galt had the extra edge which in his case meant success. The virtual monopoly, however, did not guarantee instant wealth. Had Galt really controlled a very lucrative coal hegemony in western Canada, he should have had no great difficulty persuading capitalists to finance the Montana railway. He could then have cited the fabulous profits earned by the N.W.C.&N.Co. and investors would have swarmed to him. Instead he experienced great difficulty raising money for the venture. Regardless of the large land grant, investors were reluctant to place their money in a venture which still had made no significant returns after nearly ten years of operations.

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[91] LN, July 24, 1889.

IV. The Tie to Montana, 1889-1890

Despite the generous land concessions and his monopoly in the western Canadian fuel market, Galt encountered a stubborn indifference to his Montana railway. He had planned to build the road separately from the corporate structure of the N.W.C.&N.Co. but eventually the lack of capital forced him to return to his London associates. In March of 1889 he had travelled to New York to issue the stocks for the Montana company but the market, perhaps upset by the Boulanger crisis in France, failed to absorb the new securities.[92] Two months later Galt floated the bonds for the Canadian section and, to bolster his position, he tried to increase the land grant to 10,000 acres per mile.[93] In was to no avail and by June when Sir Alexander and Elliot left for the annual meeting of the N.W.C.&N.Co. in London, few sales of stocks and bonds had been made.[94] The depressive economic conditions, which had plagued him during the Dunmore negotiations, had not yet lifted and investors still were reluctant to place their money in North American railways.

For ten years the ageing Galt had fought for his western dream and it appeared to be slipping away from him. This year the confrontation with the directors was especially bitter because they were completely hostile to Galt's expansion plans; they were unwilling to commit further funds or approve the amalgamation between the N.W.C.&N.Co. and the A.R.&C.Co. Their reluctance depressed and sickened the seventy-two year old Galt and he lost his temper at one particularly fruitless meeting. He confided to his wife, "in any case I attributed my complete recovery to a meeting of our Coal Directors on Thursday at which I got so much enraged at the persistent difficulties raised by Mr. Ford, that I told them I would take no more trouble about it but left the whole responsibility of failure on their shoulders --- I took my hat and walked out of the room."[95] The temperamental outburst, not at all unusual for the impetuous Galt, not only improved his ailing stomach but shocked the startled directors into action. The next day they invited Galt and Lethbridge to a special meeting where they requested Galt to outline his case once more. Skillfully employing all the talents gained from a lifetime of explaining intricate financial structures, Galt once again demonstrated that the colliery could only survive if a railway provided access to the smelter and railway market of Montana. As he had done so often before with his meticulously executed presentations, Galt persuaded the financiers to approve the plan despite threatened resignations from a few directors.[96]

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[92] PAC, Macdonald Papers, Vol. 220, Galt to Macdonald, March 13, 1889.

[93] PAC, Department of the Interior Records, (RG 15), Vol. 561, File 172441-1, Elliot Galt to Dewdney, May 11, 1889; Dewdney to Elliot Galt, May 15, 1889.

[94] LN, February 27, 1888; May 8, June 12, 1889.

Although Galt had won the support of his London partners, the venture remained uncertain because of the scarcity of investment capital. Throughout the summer he worked hard to round up the necessary funds but with the depression hanging like a pall over the North American railway world no one appeared eager to back yet another potential failure.

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[95] PAC, Galt Papers, Vol. 8, Supplemental, Galt to Lady Galt, June 1, 1889.

[96] Ibid.

Late in September Galt travelled to New York and received some token of support from the Northern Pacific[97] which probably wanted some say in a company which threatened to connect northern Montana with the CPR. But the bulk of the money still had to come from the London money market; thus in October Galt crossed the Atlantic for the second time that year in the frustrating search for capital.

Before he left for London Galt made a number of announcements concerning changes he had made in his railway plans. In order to make the financing of his railway feasible, he made two significant reductions in his proposals. First of all, the line was to be shortened to terminate at Great Falls rather than at the mining centre of Helena. This was a wise move as there was little sense in duplicating J.J. Hill's Montana Central Railroad between these two centres. Consequently Galt's road was to end near Hill's St. Paul, Minneapolis and Manitoba Railway, soon to be called the Great Northern, which had reached Great Falls two years earlier in 1887.[98] Thus his project was to tie the CPR to its original parent company, a firm in which George Stephen and Donald Smith still had substantial holdings. Since Smith also had a share in the N.W.C.&N.Co., Galt's railway became a perfect complement to the two systems and ultimately his road did much to shape future rail patterns in the area. Of greater significance was Galt's second announcement that he planned to construct another narrow gauge railway and that the widening of the Dunmore line was to be postponed indefinitely.[99] Once again economic conditions dictated stringency; in Galt's pragmatic opinion, a narrow gauge railway was better than no road at all.

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[97] LN, October 2, 1889; The Macleod Gazette, October 3, 1889.

[98] Joseph Gilpin Pyle, The Life of James J. Hill, I (New York: Peter Smith, 1936), pp. 381, 388.

[99] LN, October 2, 1889.

The reduction in the gauge could have a serious effect upon the company's land grant; according to the precedents, the subsidy for the widening of the Dunmore section had to be repealed and the grant for the Montana part reduced accordingly. Galt, however, visited Sir John A. Macdonald and persuaded him to allow the company to retain the full land grant on the basis that the coal was of benefit to Canada and that he was building 125 miles in Montana without any subsidy at all.[100] Once again Macdonald was swayed by his friend's strong arguments and he wrote, "I shall endeavour to secure for you the full grant of 6,400 acres with good hopes of success."[101] It was a remarkable promise to make since the actual colonization companies had to build expensive standard gauge roads to earn 6,400 acres per mile, while Galt's resource railway was to earn the same amount for fewer expenditures. Undoubtedly the Prime Minister considered land grants, which involved no direct monetary outlay, to be a cheap subsidy even to assist a coal mining company, a privilege, incidentally, extended only to Galt's enterprise.

Armed with Macdonald's liberal assurance, Galt, meanwhile in London, arranged the final details of the project. He lined up very prestigious backing for the Lethbridge scheme including the large banking firm of the Barings as well as Glyn, Mills, Currie and Company. In addition he successfully solicited support from three important London trust companies, the Industrial and General Trust Limited, the Trustees' Executors and Securities Corporation, and the U.S. Debenture Corporation.[102] Galt had managed to turn the small Coal Banks venture into a large, well-financed concern.

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[100] PAC, Department of the Interior Records, (RG 15), Vol. 561, File 172441-1, Galt to Dewdney, October 9, 1889.

[101] PAC, Macdonald Papers, Vol. 220, Macdonald to Galt, October 17, 1889.

Just when success seemed assured, Galt ran into a difficulty which nearly ruined the delicate financial structure he had erected. Suddenly, Lord Revelstoke, the head of the Barings, pulled his substantial pledge out of the proposed railway's fund because George Stephen had told him that the Montana railway would seriously interfere with Canada's plans for the CPR. The situation was an uncanny analogy of events seven years previous; this time Stephen, who obviously was still afraid of any American connections, made it very clear that he had no confidence in Galt's Montana railway.[103] Since the Barings, through Lord Revelstoke, had a substantial investment in CPR securities, Stephen's word carried great weight and thus threatened Galt's venture. Galt was enraged: just when he had finally won the support of George Carr Glyn for his railway, Stephen's remarks threatened to destroy his credibility. At the same time they jeopardized the critical merger talks between the N.W.C.&N.Co. and the A.R.&C.Co. "As far as S[tephen] is concerned I consider his actions most shabby and uncalled for and R[evelstoke]'s not much better,"[104] Galt wrote angrily and, like Stephen seven years earlier, he sent a flurry of telegrams to Macdonald asking him to disavow Stephen's statements.[105] At first Macdonald hedged and lamely cabled Galt that the cabinet did not want to comment on a foreign railway,[106] but later he relented and grudgingly asked Stephen to disclaim his allegations of government hostility toward the A.R.&C.Co.'s plans. As a result, Revelstoke repledged his $50,000 investment[107] and Galt quickly rebuilt the financial structure opening the way for commencement of construction.[108]

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[102] E.H. Wilson, "Lethbridge and the A.R.&I.," *The Lethbridge Herald*, December 11, 1947, p. 9.

[103] PAC, Van Horne Letterbook, No. 32, Van Horne to Galt, December 11, 1889. Van Horne, too, expressed his doubts about the economical feasibility of the railway but privately and only to Galt.

[104] PAC, Macdonald Papers, Vol. 220, Galt to Macdonald, November 27, 1889.

News of Galt's success travelled quickly and soon Lethbridge was astir with excitement. The citizens of Lethbridge, while keenly interested in the company's activities, were not fully aware of the extent of Galt's difficulties. On the surface they could see the preparations for greatly increased production which was expected to soar to 1,000 tons per day; crews were laying out more trackage and sinking a mine shaft from the bench lands just north of the town to the coal seam directly below, while underground miners were excavating new levels and rooms.[109] Yet, as the local press indiscriminately leaked rumours and facts, mixed the good news with the bad, the spirits of the town's businessmen vacillated from quiet dispair to jubilant optimism. By the end of October confidence was triumphant; the town's newspaper carried stories of Galt's successes and reported that local merchants had received contracts for timber supplies. Lethbridge buzzed with enthusiastic buoyancy; the colliery was expanding, the railway was to be a reality in 1890.

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[105] Ibid., November 18, 1889; Macdonald to Galt, November 22, 25, 1889.

[106] Ibid., Macdonald to Galt, November 28, 1889.

[107] Ibid., Galt to Macdonald, December 14, 1889.

[108] Ibid., December 18, 1889.

[109] Canada, Department of the Interior, Report, 1889, Part I, p. 25.

Bit by bit the *Lethbridge News* revealed the plans for the railway. Late in January of 1890 W.D. Barclay, the chief engineer for the project, arrived in Great Falls and announced that the final route had been determined and that detailed surveys were to begin at once. The tracks of the American section would leave Great Falls and head northward to Leavings, cross the Teton River near Choteau, by-pass the west side of the Sweet Grass Hills, and proceed northward to the international boundary.[110] The plans further called for the railway to cross the border at a new town to be called Coutts where the company planned to deposit on the hot and desolate plain a roundhouse, customs post and other servicing facilities. From the border to Lethbridge the projected line of the Canadian section traversed the empty plains virtually in a straight northwesterly direction to Lethbridge. Even though the road crossed the deep valleys of the Teton, Marias and Milk rivers, the maximum grade never exceeded one percent[111] and grading across the slightly undulating prairies was expected to be relatively simple. Hauser's Fort Benton Construction Company was awarded the contract for the American section while Donald Grant and Company won the tender for the Canadian part.[112] Early in February Elliot Galt ordered rails from the Illinois Steel Company, locomotives from Baldwin's Locomotive Works and cars from Wells and French; he also sent a crew to the Sun River area to cut wood for ties.[113] The railway was rapidly becoming a reality.

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[110] LN, January 30, 1890.

[111] Ibid., June 18, 1890.

[112] Ibid.

Events were moving quickly to a conclusion. In mid-February Sir Alexander concluded the marriage arrangements between the N.W.C.&N.Co. and the A.R.&C.Co. The complicated negotiations, which had taken him two years to complete, signalled the end of the N.W.C.&N.Co. All its assets and liabilities were to be transferred to the Alberta Railway and Coal Company, which thus was to assume control over the Lethbridge to Dummore line, the collieries, all coal properties and land grants. Although the merger was approved by the shareholders, Parliament still had to sanction the move and thus, for the time being, the companies retained their individual identities. The only immediate difference that Lethbridgites could notice then was a slight lowering in the freight rates[114] and the inauguration of a completely separate passenger train service.[115]

Late in March Parliament approved an amendment to the A.R.&C.Co.'s act of incorporation. The company was permitted to reduce the gauge of the Montana line to three feet.[116] No mention was made in the act of the land subsidy; in fact, a separate amendment corrected a previous error giving the grant to the N.W.C.&N.Co. instead of to the A.R.&C.Co.[117] Parliament was not asked to approve the retention of the full land grant and this probably explains why there was no debate whatsoever on the bill which permitted the reduction in gauge. Officially, therefore, the A.R.&C.Co. was to receive the third subsidy of 413,568 acres of land for 64.62 miles of narrow gauge railway at 6,400 acres per mile.[118] At the same time, the N.W.C.&N.Co. retained the second subsidy of 280,320 acres of land for 109.5 miles at 2,560 acres per mile originally granted for widening the Dunmore to Lethbridge railway, although the work was postponed indefinitely.[119]

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[113] Ibid., February 5, June 18, 1890.

[114] Ibid., February 19, 1890. On March 4, 1890 the company directors passed a by-law for new rates. Freight rates ranged from a high of fifteen cents per hundred pounds for ten miles to fifty-seven cents per hundred pounds for the full 110 miles. Coal transportation cost $2.45 per ton for the entire trip plus five cents per hundred pounds for transfer of all goods. Passenger fares stood at two cents per mile and two and one-half cents per mile for the return trip. Children under five rode free and those from five to twelve at half price. Canada, Order in Council, March 4, 1890.

[115] LN, April 23, 1890.

Simultaneously with parliamentary approval of the narrow gauge came assent for Galt's application for a charter to extend the N.W.C.&N.Co.'s line via Fort Macleod and the Crowsnest Pass to a point at least seven miles into British Columbia. The pass was being recognized more and more as a valuable source of minerals as every summer since 1887 William Fernie of Fort Steele and Colonel Baker, a member of the British Columbia Legislature, had employed prospectors to survey their 10,000 acre tract at Elk Valley. By 1889 they had bored several tunnels into a twenty-five mile long seam which varied in width from twelve to sixty feet; its immensity prompted the *Macleod Gazette* to exclaim that the pass had "enough coal to last the world forever".[120] Little development work was done, however, because Colonel Baker, like other western Canadian colliers, found it impossible to secure financial backing from London financiers.[121] Still the knowledge of the valuable coal deposits and the relatively easy grade through the pass led other railway companies than Galt's to explore the possibilities of the Crowsnest. The *Macleod Gazette* reported in 1889 that the Alberta Colonization Railway Company planned to apply for a charter from Cassils on the CPR through the Crowsnest Pass to the Pacific, and it suggested that the company was an affiliate of the CPR.[122] The paper incorrectly claimed that the Northern Pacific also planned to build through the pass to compete with the CPR, while in fact it was the Great Northern which had such design.[123]

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[116] Canada, Statutes of Canada, 53 Victoria, Chapter 85, March 26, 1890.

[117] Ibid., Chapter 3, March 26, 1890.

[118] Canada, Order in Council, March 11, 1890.

[119] Canada, Statutes of Canada, 53 Victoria, Chapter 89, March 26, 1890. The company did intend to revert to standard gauge at some time because Elliot Galt continued the policy of widening the road beds with excess coal and shale from the colliery and ordered the sectionmen to replace old narrow gauge ties with standard ones. See LN, March 5, 1890.

Galt's application for the Crowsnest charter was not necessarily a serious intent to build the road. He knew that the CPR was interested in the pass since several years earlier Van Horne had advised him to build to the Crowsnest instead of to Montana. When Galt dismissed the suggestion, the CPR sent its survey crews into the area to determine the feasibility of the route.[124] This activity and the coal discoveries, which threatened his Lethbridge enterprises, spurred Galt into action. "Knowing the parties I have to contend with," he told Macdonald, "I have given notice for a charter through the Crow's Nest Pass."[125] The move displeased Van Horne who suggested that Galt withdraw his charter in order to "avoid embarrasment",[126] but it was unlikely that Galt planned to do so. His strategy was uncannily predicted by the *Macleod Gazette* which believed that a widened Dunmore railway, extended to the Crowsnest Pass, would become part of the CPR system.[127] It is likely that Galt, who controlled the Dunmore-Lethbridge section of any Crowsnest through line hoped for a *coup* similar to that which he executed some forty years earlier against the Grand Trunk. As subsequent events showed, Galt wanted some favourable concessions from the transcontinental and his charter through the Crowsnest was the means to attain them.

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[120] The Macleod Gazette, October 31, 1889.

[121] William James Cousins, "A History of the Crow's Nest Pass" (unpublished M.A. dissertation, University of Alberta, 1952), p. 42; The Macleod Gazette, January 9, 1890.

[122] The editor urged his townsmen to get into action as both roads might miss Macleod. The Macleod Gazette, November 7, 21, 28, 1889.

[123] Ibid., March 13, 1890.

The turbulence preceding railway construction very much affected Lethbridge. The commencement of the detailed surveys lifted

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[124] PAC, Van Horne Letterbook, No. 33, Van Horne to Galt, February 10, 1890.

[125] PAC, Macdonald Papers, Vol. 220, Galt to Macdonald, November 2, 1889.

[126] PAC, Van Horne Letterbook, No. 33, Van Horne to Galt, February 10, 1890.

[127] The Macleod Gazette, May 15, 1890.

Lethbridge out of its economic doldrums and animated the town's spirits. The symptoms of an economic boom appeared: the cacophony of pounding hammers, the soaring land prices, the crowded stores typified the rapid expansion and increased demands. Although a number of houses were under construction, only a few of them were available to renters and so only those with substantial savings could find comfortable accommodations. The scarcity of suitable housing deterred many men from bringing their families to Lethbridge.[128] The town's newspaper, swept up in the ebullience of economic optimism, dismissed the past era of stagnancy and naively assumed that progress was inevitable. "As the *News* has time and again pointed out, the financial strength, coupled with the ability and energy of the Company and capitalists who were, and are, so largely interested in the town, was an almost absolute guarantee of progress; and the present position and prospects justify this confident attitude."[129]

A superficial look at the company's activities, which so greatly affected the welfare of the community, certainly corroborated the newspaper's optimistic view. To satisfy the demands of the "practically unlimited" Montana market, the company was boring two more shafts: Shaft No. 2 was projected to reach the "practically inexhaustable supply of coal" within two months while Shaft No. 3 was scheduled to begin production in the fall. In all, Elliot Galt announced projected expenditures of $200,000 on colliery expansion and plans to employ 600 men in the mines and 250 on the railway. Throughout June three shifts of 300 miners extracted an unprecedented summer month average of 400 tons per day.[130] To help him oversee the expanding coal and rail empire, Elliot Galt appointed G.H. Wainwright as the assistant manager of the A.R.&C.Co.[131]

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[128] LN, April 23, 1890.

[129] Ibid., June 18, 1890.

Meanwhile the railway progressed steadily throughout the spring and summer. A crew of 500 commenced to grade the Montana section, while surveyors began to draw the line southward from Lethbridge for the Canadian part.[132] The surveyors were finished in mid-June and workers began building the Canadian segment. Sir Alexander arrived in Lethbridge at the end of August, accompanied by the railway's consulting engineer, Walter Shanly, who was to make the final inspection before the company accepted the railway from the contractors. On their first trip along the road the men found that the American section was completed, while the Canadian branch needed a few miles of grading.[133] The smooth progress of construction work pleased the London investors and their satisfaction rose when Galt announced that he and J.J. Hill had signed a contract for delivery of 200 tons of coal daily to the Great Northern Railroad.[134] This agreement, while not exceptionally large, could form a solid basis for establishing the Lethbridge collieries. On October 22, 1890, the first trainload of coal left for Montana; the train, consigned to the Helena Lumber Company, was kept small because incessant rains had seriously weakened the roadbed. Nevertheless, Lethbridge coal was dumped into the cars of the Great Northern for $7.25 per ton.[135] The railway had cut the price of coal in the state by more than two-thirds.

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[130] Ibid.

[131] Ibid., June 2, 1890.

[132] Ibid., April 9, 1890; The Macleod Gazette, April 24, 1890.

[133] PAC, Macdonald Papers, Vol. 190, Bowell to Macdonald, August 28, 1890.

[134] Ibid., Vol. 220, Galt to Macdonald, September 18, 1890.

Lethbridge greeted the completion of the road with a holiday. A citizen's committee consisting of the town's leading citizens had planned a full schedule of entertainment, including speeches by company officials and the driving of the last spike by the town's Roman Catholic priest, Father Van Tighem. Flags, buntings and pennants added colourful cheer to the celebrations, although the I.G. Baker store displeased some patriots because it chose to symbolize the historic event by only flying several 'Stars and Stripes'.[136] Communal sports activities made up the main diversions and the evening's entertainment included a ball to be crowned by fireworks. The latter had to be abandoned because of high winds; the first rocket fizzled, then suddenly shot up and exploded, according to some cynics, near Dunmore.[137]

Eleven years after Elliot Galt had first visited Coal Banks, unpainted buildings encrusted in coal dust and tall chimneys spewing dark smoke broke the expansive yellow sea of grass, while beneath the surface hundreds of miners burrowed deeper and further to extract the precious fuel. A powerful group of London and Montreal financiers provided the capital to exploit and distribute the energy resource. To them the coal mine and the community were essentially an economic venture expected to return a handsome profit; the site furnished the rich resource while the town supplied the labour to operate the colliery and railway. In this way Lethbridge was a colony within a vast commercial empire; the colliery and the settlement comprised yet another terminal in the countless metropolitan chains radiating from London. In a sense the relationship was impersonal because few of the investors ever visited Lethbridge to witness the changes their money had brought.

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[135] PAC, RCMP Records, (RG 18, A-1), Vol. 39, No. 137, Lethbridge Monthly Report, October 31, 1890.

[136] Ibid.

[137] LN, October 24, 1890.

This impersonality was felt very strongly in Lethbridge because the town was essentially a business enterprise and thus it was buffeted by economic forces over which it had no control. These influences had a greater impact upon the output of the colliery than the amount of capital invested or the productivity of the miners. While Galt built the most efficient operation possible, a mild winter or a crop failure could cut consumption by settlers and railways and consequently reduce production. Sir Alexander built his miniature empire on the vision of a rapidly settled prairie but many factors prevented quick population growth and so the colliery foundered until he expanded its transportation lines to a larger market causing a temporary rise in output to profitable levels. The predominantly economic motives which underlay the enterprise forced him to seek a connection with the United States; as in the annexationist sentiment of 1849, the desire for profit overruled patriotic feelings and Lethbridge was tied by rail to Montana. Despite Galt's successful efforts to broaden the economic base of his enterprise, the colliery and railway remained enmeshed in the complex commercial structure of London and Montreal and thus were greatly affected by fiscal conditions in these financial capitals as well as those of the United States. Unfortunately throughout the 1880s a depression chilled the money markets and the economic climate was unfavourable for new ventures, a factor which greatly affected Galt's actions.[138]

The metropolitan ties which bound Lethbridge into the British, Canadian as well as American networks were not totally impersonal, however. The links had been forged by Sir Alexander Galt, acting as promoter, selling western natural resources abroad. To create the colliery-railway complex, the elder Galt made numerous, tiring pilgrimages to London to plead with bankers and investors for financial support. Through skillful and delicate negotiations, aided by his prestige as former High Commissioner and respected promoter, Galt had patiently created an intricate corporate structure which included the most prestigious financial houses in Britain, the Barings and Glyn and Company. In Canada Sir Alexander brazenly employed his friendship with Canada's Prime Minister, Sir John A. Macdonald, and other Conservative politicians like Macpherson, Shanly and Davis, to obtain charters, land grants, coal properties, and favourable interpretations of regulations. The Conservative administration, bent on rapid growth and obsessed with commercial progress, decided that lavish aid and generous concessions were an acceptable price to pay for luring private developers to the Northwest. Galt, as entrepreneur, capitalized on this policy. Through his personal initiative he seized the opportunities opened to him and thereby greatly changed the character of southern Alberta.

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[138] Galt's luck proved true to the end because in November, 1890, the Baring's who had underwritten very large loans in Argentina, faced bankruptcy when the wild era of expansion in South America stopped suddenly and Argentina's credit evaporated. In order to prevent a financial disaster, the Bank of England was forced to buy gold from abroad. The Baring crisis virtually ended overseas investments for a decade. See H.S. Ferns, Britain and Argentina in the Nineteenth Century (Oxford: Clarendon Press, 1960), pp. 436-484.

CHAPTER SEVEN

GENESIS OF A COAL TOWN

I. Building A Community

Apart from the obvious fact that without Galt's efforts Lethbridge would not have appeared as a southern Alberta mining town, his activities had a more subtle effect upon the young settlement. Beyond this powerful economic influence Galt indirectly contributed to the social structure and mentality of the new community. The entrepreneurial spirit, which so largely motivated him, became predominant in Lethbridge as well. The aspirations of the town's business community were in harmony with those of the corporation and so the merchants and company officials worked together to create a prosperous and growing economic basis as well as a robust society for the newborn settlement. In their zealous drive for rapid expansion, these leaders tried to project an image of Lethbridge as a progressive community which would soon be the most important industrial centre in western Canada. Like so many other western communities this was the face which they showed to the public, a visage which often masked the real character of the frontier town.[1] A closer look at a number of individuals who were intimately involved in the building of Lethbridge will illustrate this point.

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[1] M.L. Foran's perceptive study of Calgary uncovers a similar aggressive metropolitan ambition among that town's leading businessmen. See Maxwell Lawrence Foran, "The Calgary Town Council,

Before the completion of the Dunmore railway in 1885 the mining settlement was never more than a dreary collection of tents, unpainted shacks and drab bunkhouses huddled together beside the Belly River, forty miles from their nearest neighbours. Ever since the winter of 1882 only a few men and women had endured the lonely, precarious existence remote from civilization.[2] The Staffords were one of the few families who provided some sense of permanency to the camp but by and large, during the early development of the colliery, the labour pool consisted of a small group of transients. About a hundred Nova Scotians lived in the community during the two hapless summers of steamboating, but as soon as the boats docked for the winter they left again.[3] By July of 1885 the population of Lethbridge numbered less than fifty.[4]

The completion of the railway link with Dunmore radically changed the character of Lethbridge. Miners from all over the continent, attracted by the promise of high wages, and businessmen, lured by the hope of large profits, swarmed into the new settlement. The mining camp throbbed with new life; the hotels and saloons, which appeared like magic, were crowded and noisy, while town lots sold briskly to the newcomers. By October the townsite contained some sixty buildings comprised of six stores, five hotels, four billiard rooms, two barbershops, a livery stable, several saloons and a growing number of residences.

1884-1895: A Study of Local Government in a Frontier Environment" (unpublished M.A. dissertation, University of Calgary, 1970).

[2] The Macleod Gazette, October 4, 1882.

[3] Ibid., June 4, August 14, 1883.

[4] Ibid., October 6, 1885.

According to the *Macleod Gazette*, the town appeared instantly, "Like a newborn infant city dropped from the clouds."[5] Only the scarcity of building materials restrained the wild construction program and caused serious congestion of the primitive facilities. Thus tents and make-shift shanties remained for some time as prominent features of the new townsite.[6]

Unlike many of the miners, who viewed Lethbridge only as a temporary abode, a small group of men, composed largely of business people, professionals, clergy and company officials, had an abiding interest in Lethbridge and they became ~~the~~ nucleus which provided continuity and stability to the settlement. One of these persons was John D. Higinbotham,[7] a twenty-one year old druggist from Guelph, Ontario. One evening a chance meeting with a fellow pharmacy student, who had just declined a position as manager of the Fort Macleod pharmacy, prompted Higinbotham to apply to Dr. Kennedy, the North West Mounted Police surgeon at the Fort, for the position. He was hired at fifty dollars a month and worked at Macleod for a year and a half. The Lethbridge development opened an opportunity to establish his own business and in October, 1885, he bought two townlots there and started a drugstore. Higinbotham became one of the leading merchants in the community as well as a prominent church leader responsible for the organization of a large Sunday School. For a while he served as the town's physician. Other medical care was unavailable except for a few days in October when an alcoholic, who claimed to be a doctor, examined patients in a room of the Lethbridge Hotel until his clientele discovered his weakness. As a result Higinbotham for some time examined the ill and prescribed medicine; he described each case in daily letters to Dr. Kennedy at Fort Macleod and if no reply was forthcoming he assumed the diagnosis and treatment to be correct.

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[5] Ibid., October 27, 1885.

[6] Ibid., October 6, 27, 1885.

[7] John D. Higinbotham, When the West Was Young: Historical Reminiscences of the Early Canadian West (Toronto: The Ryerson Press, 1933). See also GAI, Higinbotham Papers. These two sources contain a wealth of personal observations on Lethbridge society.

To the druggist's relief, late in 1885, Galt engaged Dr. Frank Mewburn as the company's resident medical officer. Mewburn, born in Drummondville in 1858, graduated from McGill University and became the medical superintendent of the Winnipeg General Hospital but shortly afterwards joined the N.W.C.&N.Co. He became very popular with the miners because he was very capable and gentle with his patients and quick to forgive their debts. Although physically frail, he found time from his busy medical practice to serve on the school board and town council, becoming one of the most prominent community leaders.[8]

Another young central Canadian was Harry Bentley, a junior employee of an Ontario firm, who had erected a tentstore for his employers in Medicine Hat before the arrival of the CPR tracks. When Bentley learned that the N.W.C.&N.Co. planned to build a railway to Lethbridge, he sensed the opportunity available there and borrowed enough money from his employers to load a wagon with goods to start his own business at the new and still unsurveyed townsite. His tentstore soon blossomed into a small shack and by December into a large shop facing the town square. By then he also had initiated thrice-weekly stage service to Fort Macleod.[9] Bentley too was to play a leading role in the formation of Lethbridge's government and social institutions.

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[8] Higinbotham, When the West Was Young, pp. 168-69; GAI, Higinbotham Papers, Vol. 7, File 101.

Perhaps the most prominent of the early settlers in Lethbridge was C.A. Magrath,[10] a surveyor, who initially laid out the townsite. Magrath was born in North Augusta in 1859 and was first employed as a sessional clerk copying the debates in the House of Commons. Quickly tiring of the tedious task, he signed on with a survey crew in the spring of 1878 and spent the next seven summers and two winters under canvas fighting black flies and mosquitos. The last two years he worked on his own as a fully qualified surveyor. In May, 1885, he accepted a position with the N.W.C.&N.Co. as land commissioner and in July he arrived at Lethbridge. He made his bed and office in the company's storehouse, a humble abode which he shared with the company's accountant, Howard Greenwood, the master mechanic Thomas McNab, and the younger Stafford. Later he moved to a house on the east end of town called 'The Terrace', a home which adjoined that of his close friend Dr. Mewburn. This intimate circle of friends, which also included Elliot Galt, soon embraced most of the town's businessmen, company officials and professionals. It was this group of men who decided to build their careers in the new town and link their futures to its progress; they, therefore, were the individuals who were actively involved in the organizations which were so essential to the survival and growth of the new community.

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[9] GAI, Higinbotham Papers, Vol. 6, File 71. See also LN, December 4, 1885.

[10] See PAC, Magrath Papers; and Magrath, The Galts.

One of these social institutions was the church. Before 1885 services were held very sporadically by travelling missionaries and circuit riders. In keeping with the frontier tradition of small communities, denominational rivalries were absent for some time as the travelling clergy ministered to all Christians. When Sir Alexander Galt, through the company, offered free lots to those wishing to erect a church building, denominationalism revived as the major groups began their building programs and brought in permanent pastors. The first to take advantage of Galt's offer were the Presbyterians who completed their Knox Church in February, 1886. The Methodists followed quickly and finished their building by July of that year, while the Roman Catholics needed somewhat longer to raise sufficient funds for a sandstone edifice dedicated early in 1887. The last denomination to build their sanctuary were the Anglicans; aided by donations from Galt and Baroness Burdett-Coutts, they finished their church in the spring of 1887.[11] Totally devoid of beautifying shrubbery or trees, the four small churches stood starkly alone on the open townsite. The solitary nature of the buildings appeared symbolical of the role of the church in this young and lusty mining community: all the congregations placed their churches south and east of the business district, not among the miner's shacks, huts and houses north of the railway tracks or on the river bottom. While the churches played a prominent role in the spiritual and social life of the community leaders, its function among the majority of miners was limited.

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[11] Higinbotham, When the West Was Young, pp. 118-119; GAI, Higinbotham Papers, Vol. 7, File 73.

In addition to the religious needs, the fledgling community had to tend to its educational requirements. Two private schools operated briefly but their haphazard nature proved unsatisfactory and a group of concerned citizens successfully petitioned the territorial government to create a school district. Next they elected a board of trustees which reflected the interaction of businessmen and company officials as it included John Craig, a furniture maker, as chairman, as well as William Stafford, the mine superintendant, and Howard Greenwood, the company accountant, as trustees. This board built the town's first school house for $1,600 and opened it in April, 1886. In its first year of operation, 56 students enrolled and were taught by B.L. Latimer. School attendance grew very slowly, pointing to the high rate of absenteeism and the scarcity of children in the predominantly male society.[12]

Another of the institutions closely associated with the development of the mining community was the weekly newspaper, whose editor clearly echoed the attitudes of the leaders of the settlement. With the rapid growth of Lethbridge, two Fort Macleod publishers, C.E.D. Wood and E.T. Saunders, took the opportunity to expand their *Macleod Gazette*. Accordingly, Saunders took the small army press used by the *Gazette*, placed it in the rear of the Lethbridge hardware store and on November 27, 1885, published the first issue of the *Lethbridge News.* E.T. Saunders, an ex-mounted policeman, was a genial man, fond of sports and horses.[13] While his insight into western affairs was more parochial and less astute than that of his partner, he did create a reputable and interesting paper which enthusiastically boosted every issue or event which could enhance the town's reputation or increase its rate of growth. As the editorial views of the *Gazette* and *News* increasingly diverged, the partnership broke up and late in 1886 Saunders assumed full control over the Lethbridge paper.[14] The weekly expanded rapidly and fairly soon Saunders erected a plain, one-storey building on two lots (probably donated by the N.W.C.&N.Co.) on Round Street. A large cylinder and platen press, powered by a horse, was installed and the size of the paper increased to five columns per page.[15]

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[12] Canada, Department of the Interior, Annual Report, 1886, Part IV, p. 32; GAI, Higinbotham Papers, Vol. 7, File 70 and File 73, Notebook A, p. 57.

The *News* concerned itself largely with local affairs and issues. Although it published some telegraphic news, the paper specialized in detailed reporting of local business news and social gossip spiced with a smattering of territorial politics. While some editorials commented on regional or Canadian issues, the majority tried to boost the image of Lethbridge and proposed or supported projects to accelerate the growth of the town. Virtually every issue carried one or more booster articles which either exhorted fellow citizens to make Lethbridge more attractive or, for the benefit of potential settlers, extolled the virtues of the community. Article after article praised the inexhaustible supply of coal, the potential for industrialization, the benevolence of the Galts, the economic strength of the N.W.C.&N.Co., the congenial citizens or the balmy climate. The editor, for example, boasted one time that Lethbridge, unlike most frontier communities, had developed a respect for law and order because many of its citizens were ex-policemen whose families formed a stable core within a transitory society. He further noted that eight years ago there were only seven ladies within a hundred mile radius of Lethbridge but that now (1889) there were several hundred, "and their influence is seen in brighter and better homes, a higher standard of morality, and the introduction of refinements of life. Ladies of superior intelligence, graduates of colleges, school teachers, music teachers are found as wives and mothers in the settler's homes, superintending the domestic affairs and living contented and happy lives."[16] Saunders' enthusiasm found some good even in unfavourable circumstances. While someone wrote "There is little to be said in commendation of the Lethbridge climate. The prevailing feature is the rate at which the wind gambols over the prairies, dries up the soil with its hot breath and scorches the leaves of young trees, vegetables like frost," the editor laconically proclaimed that the constant wind, "prevents an accumulation of dirt and rubbish, and after all when one gets accustomed to them they are not very unpleasant."[17] This compulsion to boost Lethbridge also extended to social and cultural activities and so the paper chattered endlessly about the splendid social institutions in Lethbridge, like the literary society and drama club or the Lethbridge Scientific and Historical Society.[18] The editor followed with keen interest the activities of the various service organizations and lodges, gave a prominent spot to church news, and always featured the names of the leaders in these affairs. The paper gladly welcomed and strongly advocated any new additions to recreational facilities because a town with abundant activities could better attract and retain the people which were so essential to the progress and growth of the community.

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[13] Edward Hagell, "The Lethbridge News, 1885," The Story of the Press (Battleford, Saskatchewan: Canadian North-West Historical Society Publications, 1928), pp. 78-80.

[14] The Macleod Gazette, November 30. 1886.

[15] Hagel, "The News," pp. 78-79.

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[16] LN, April 2, 1889.

[17] Ibid., December 3, 1890.

Since the overriding concern of the *Lethbridge News* was the promotion of the economic growth of the town, it focussed its attention almost exclusively on the activities of the businessmen, company officials and clergy, whose aspirations were quite similar to its own. As a result of this attitude it devoted little attention to the miners and railway men. In a real sense, like many of its contemporaries, the weekly ignored the largest segment of the population and consciously overlooked some of the undesirable aspects of community life; it seldom mentioned, for instance, labour strife and dealt with other social problems only sporadically and indirectly. At the same time, in its zealous endeavours for the town's appearance and physical growth, the *News* became an ardent admirer of Sir Alexander Galt and the N.W.C.&N.Co. as well as the business community. The paper, therefore, expressed the close bond between these townsmen and the company.

As a result of this booster attitude, a subscriber of the *Lethbridge News* living elsewhere in Canada might over the years gain a romantic picture of Lethbridge as an idyllic community perched on the banks of the Belly River. Here its robust citizens, breathing the clear mountain air sweeping down from the majestic Rockies, were vigorously extracting the fabulous black wealth hidden beneath the lush prairies. The mushrooming coal industry, burrowing into the limitless supply of coal, was driving Lethbridge from nothing to major industrial status. The community, still small but dynamic, was bubbling with economic activity and, as business boomed, beautiful buildings were shooting out of the ground. Lethbridge was prosperous and its citizens were happily engaged in building a new community in the promising Northwest. While the image presented in the *News* was very attractive, it was also highly misleading.

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[18] Ibid., January 19, October 24, 1888.

II. The Other Face of Lethbridge

Despite the editor's valiant attempts to paint a picture of a harmonious, contented community, at times a discordant note crept into the happy writings. The editor reluctantly admitted once or twice that in the wintertime, when outdoor sports were nearly impossible, life became "very quiet". Public entertainments were rare but occasionally a touring group of performers visited the town, or a church or other group presented a variety program in one of the churches or police barracks.[19] Essentially the townsmen were forced to entertain themselves, a relatively easy task in the summer when outdoor activities and sports were possible. They might, for example, indulge in the aristocratic 'fox hunt', using the lowly coyote as substitute for the more noble creature.[20] In the colder seasons, indoor activities were needed and so the newspaper recommended all sorts of cultural activities. In one such editorial, in which he suggested the establishment of a library and reading room, he pointed to a very crucial problem in the mining town.

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[19] Ibid., October 10, 1888.

> Life in a new country does not afford as many pleasures or methods of recreation as are to be found in older places and even those who are doing well here are apt to find life dull and monotonous. This feeling frequently changes to one of discontent with their position, and many good men, as the feeling grows stronger, which once engendered, it is almost certain to do, leave town in search of other and fresher pastures. It is true that the places of those who thus leave the town are promptly filled up, but it is not to our interest that the population should be a floating one and constantly changing. What our town requires is that those who are making their living amongst us should be permanent residents, and the interests of the Company also demand that their employees should remain steadily with them and not after a few years leave them and compel them to procure new men in their place.[21]

With this statement, the editor, perhaps unintentionally, laid bare a serious problem, the difficulty of building a permanent community with transient residents. The majority of the mine and railway workers lived in Lethbridge only when the mines were in full production. Since this abode was temporary, their interest in civic affairs was minimal and the attempts to establish 'proper' recreational facilities for them failed. Consequently the editor at times grumbled that visitors and travelling salesmen considered Lethbridge a dull place where men did nothing but loaf around the stores and post office.[22]

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[20] One Sunday the 'fox' sought refuge in the town just as Sunday School was about to begin; the children, suddenly gripped by foxfever, abandoned their astonished teachers and joined the chase. The Macleod Gazette, December 5, 1889.

[21] LN, April 9, 1890.

The population of Lethbridge was transient, to be sure, but occasionally an isolated news item suggested that the town was not a dull place to visit. One article, for instance, reported that the police had raided the Nickle Plate Saloon and fined its owner $134.75 for illegal possession of liquor.[23] If this was only an isolated incident, why did the editor pen a sarcastic editorial about the attempts to establish a Bible Club in Lethbridge which he supposed was a poorly disguised temperance society? If Lethbridge was really as sober and law-abiding as he suggested, why did as many as fifty people feel a need for a temperance association?[24]

If the subscriber to the *News* were zealous and inclined to read the weekly sermons by Rev. Charles McKillop of the Presbyterian Church, he would suddenly be confronted by a different face of Lethbridge. At one time the pastor, preaching to an overflow audience, described Lethbridge much differently than the *News* did. Choosing as his text, Habbakkuk 11:5, "Woe unto him who giveth his neighbour strong drink," McKillop in no uncertain terms exposed the decadence of the amusement area just south of the mine entrances and reported that a personal survey conducted in the summer of 1890 revealed that fifty saloons served the drinking needs of the fifteen hundred men, women and children residing in Lethbridge. Some of the places he visited were to him "literal Sodoms and Gomorrahs, places that if they were to sink down into the earth, it would be a blessing to Lethbridge, if only the souls of the inmates might be saved."[25] While the pastor admitted that a few of the bars were respectable, the majority were "hell dives" where prostitution and gambling were prime attractions, and furthermore, he charged that he could name twenty men who thrived solely on robbing inebriated miners. McKillop was not a fanatical temperance promoter, nor did he call for total prohibition, but suggested instead that the saloons be destroyed in favour of licensed bars at the hotels. This moderate position, his intimate knowledge of Lethbridge and the respect he earned among the miners lend credence to his assertions that the young community had a serious social problem.

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[22] Ibid.

[23] Ibid., March 22, 1888.

[24] Ibid., March 29, August 8, 1888.

McKillop's observations were corroborated by the divisional commander of the North West Mounted Police, Captain Burton Deane, who arrived in Lethbridge in April, 1888, and stayed nearly a decade. Deane's published memoirs, like so many others, idealized community life on the western frontier. "There was in those days a camaraderie about life in the North-West which is entirely lacking now, and life was a great deal more worth living," he wrote, "'Live and let live' was the principle upon which we conducted our business; we constituted an oasis in the desert, and were as happy a community as one could find on the broad prairies."[26] A new dimension is added to these happy reminiscences by the official reports which he submitted to his superior officers. These records are not the favourite yarns of a retired police officer but rather a day-by-day description of his confrontations with violence, crime and corruption. From these accounts it is obvious that the most serious and troublesome problem facing the police was the enforcement of the liquor legislation, which was designed to protect the natives but also included the white population.[27] Thus Deane's experience justified McKillop's concern and varied considerably with the reportage of the *News*.

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[25] Ibid., December 30, 1890.

[26] Burton R. Deane, Mounted Police Life in Canada: A Record of Thirty-One Years' Service (London/Toronto: Cassell, 1916), p. 44.

According to Deane, the volume of illicit liquor traffic fluctuated along with mine production so that in the summer of 1889, when the mines worked only at half capacity, money was scarce and the town was quiet.[28] With the construction and completion of the Montana railway, the local economy recovered and hundreds of single miners flocked into Lethbridge accompanied by gamblers, whiskey smugglers and prostitutes bent on skimming the cream from a prosperous society. As crime and violence reached crisis proportions, Captain Deane expressed his concern. "Lethbridge is becoming in Western parlance 'tougher every day'," he wrote, "Gambling is rife with its concomittant evils and cannot be abated."[29] His crime ledger swelled proportionally and in October he reported that his jail was overcrowded. The list of indictments reveals much about the problems and needs of a transitory, male population: of the twenty men arrested, ten were charged with disorderly drunken conduct, three with indecent exposure, three with selling liquor to the Indians, two with assault and two with unspecified crimes.[30] Such activities were not reported in the *Lethbridge News* which was careful not to tarnish the bright picture of Lethbridge society.

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[27] PAC, RCMP Records, (RG 18, A-1), Vol. 30, No. 130, Lethbridge Monthly Report, July 31, 1889, is but one account of many tales which tell of the difficult task of patrolling such a vast area with limited manpower. In this case, Corporal Elliot received acclaim for arresting "Rev. M. Conner", a whiskey smuggler. The policeman crossed a set of wagon tracks and decided to follow them. He noted that at various points the tracks were becoming less deep and when he caught up with the wagon, it was empty. He had supper with the smuggler and then retraced his steps until McConnel (the smuggler's real name) came to retrieve the barrels of whiskey he had thrown overboard. Only a week before, McConnel had told the police that all his whiskey was cached in the United States but that, "He could not bring it in as there was a policeman at every turn." See Ibid., June 29, 1889. This arrest was encouraging news because enforcement was difficult. One report stated that the police at one time were looking for three different wagon loads of whiskey, while another accused some whiskey runners of smuggling opium into the United States. Some individuals in Lethbridge, according to this account, had become rich too quickly. Ibid., Lethbridge Weekly Report, September 21, 1889. In sum, the smuggling of alcohol was so prevalent that in the northwestern States liquor was popularly known as 'Northern Goods'. Ibid., Vol. 21, No. 373, Lethbridge Monthly Report, July, 1888.

[28] Ibid., July 31, 1889.

The centre of this disorderly conduct was well west of the respectable business centre of Lethbridge. On one of the triangular land-spits jutting into the river valley, the saloon keepers, prostitutes and gamblers built a little but thriving empire of vice. Bordered by deep coulees on three sides, the promontory, locally known as 'the Point', became an enclave of vice conveniently isolated from the reputable segment of the settlement. Yet this prominent point of land, topped by practically the only painted houses in town, ironically, but fittingly, became a garish landmark second only to the black tipples and smokestacks of the colliery. By 1890 six brightly painted, two and three story brothels, a cluster of saloons, and the company's bunkhouse were huddled together on 'the Point', catering mainly to the local miners and railwaymen but also enticing men from miles around.[31] The wild evenings of intemperate carousing often erupted into violence especially on paydays when the workers were determined to spend their earnings in one weekend. The tensions created by the dangerous underground labour, the boredom of the small, isolated town, the lack of female companionship exploded into frenetic merrymaking. Beneath the thin crust of bourgeois respectability seethed a turbulent disorder of proletarian boisterousness.

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[29] Ibid., Vol. 39, No. 137, Lethbridge Weekly Report, November 24, 1890.

[30] Ibid., Lethbridge Monthly Report, October 31, 1890. This report also hints at a case of destitution. A woman was charged with sending her children to the railway yards to steal coal, but was not convicted because so many other citizens did likewise.

To a certain extent 'the Point' served as a useful safety valve in the overwhelmingly male society and for that reason Captain Deane tolerated the illegalities. Only reluctantly did he make arrests and then only to prevent the activities from spilling over into the remainder of the community.[32] Generally, then, as long as the residents of 'the Point' did not bother the general populace, the police sanctioned the existence of a segregated red light district.

Seen from a different perspective, however, 'the Point' was also a cruel destroyer of the dreams and hopes of many workers.

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[31] James H. Gray, Red Lights on the Prairies (Toronto: Macmillan, 1971), p. 162, paints a very colourful picture of the frontier prostitute and the single settler; while his lighthearted approach underscores the usefulness of the brothel in the male-dominated Northwest, it ignores the seamy aspects of prostitution.

[32] At one time two women attacked an ex-constable and made such a racket that the police arrested the "notorious and objectionable prostitute named Madge Blake." PAC, RCMP Records, (RG 18, A-1), Vol. 30, No. 130, Lethbridge Weekly Report, September 21, 1889. At another time the police jailed a harlot "who describes herself as 'a blue blooded lady of Spain' but is the worst of the lot." Ibid., Vol. 39, No. 137, Lethbridge Monthly Report, January 1, 1890. On yet another occasion the police rounded up a number of saloon keepers, four of whom were ex-policemen. Ibid.

The magnetic excitement of its commercial immorality tempted many a miner to squander a month's wages in reckless abandon; a few hours at a crooked gambling table could retard by months or years the realization of the dreams for a farm, the hope of bringing over a wife from Europe. Even while the gay lights, merry music and shrill laughter provided shallow hospitality and quick relief from the dreary, black work days, a drunken miner might be brutally assaulted and robbed of his cash. As such 'the Point' was cruel to the workers.[33]

Meanwhile the river flats continued to be the collection point for the riff-raff of Lethbridge. The red light district had begun there but moved up to the prairie with the arrival of the railway. What remained were a few miners, some tramps, rejected prostitutes and destitute families, living in the derelict shanties scattered among the trees. The police virtually ignored the area except for their attempts to stop the degradation of native men pandering their squaws at bargain prices. This sorry spectacle could not be suppressed,[34] no matter how hard they tried. In a strange way, the bottom lands embraced both extremes of Lethbridge, showing its two faces side by side; Elliot Galt's imposing residence, 'Coaldale', and the Stafford ranchhouse contrasted sharply with the decrepit shacks of the outcasts.

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[33] While Ralph Conner, in The Prospector, A Tale of the Crown's Nest Pass (New York: F.H. Revell, 1904), writes from the perspective of a minister in the "Victorian" era, he does lay bare this deplorable aspect of drinking, gambling and prostitution.

[34] Deane wrote rather condescendingly, "It is extremely inconvenient having a number of dirty squaws in the guard room.... They are much diseased and there have been several cases of venereal disease among the men lately." PAC, RCMP Records (RG 18, A-1), Vol. 30, No. 130, Lethbridge Weekly Report, November 21, 1889.

Popular accounts of life in early Lethbridge seldom mention ethnic tensions but that too was a real part of life in the mining town. Probably in the fall of 1886, when he was reducing production costs, Sir Alexander Galt imported a large number of Hungarian miners from Pennsylvania because they were willing to work more cheaply than the Nova Scotians who were already there.[35] These newcomers lived in a miniature ghetto of ramshackle shanties divorced from the main settlement and as long as both communities were small and separate they co-existed peacefully. With the large influx of workers in 1890, however, the homes of both groups began to intermix and racial conflicts arose. The resultant attitude of the English-speaking population toward the Hungarians is expressed rather clearly by Captain Deane in one of his reports.

> Their custom is to get into their houses a lot of beer for Saturday use. This they pour into tubs and sit around soaking their bread into the mixture. More or less noise is always made on these occasions and as long as they were in a settlement by themselves it did not very much matter whether they damaged one another's skulls or not but now they have neighbours within a little distance and they complain very much of the noise.[36]

Much of the disorderliness so prevalent in Lethbridge was blamed on the "foreign element", and to some extent justifiably so. One Sunday evening, for example, a merry wedding party among the Hungarians exploded into an unbridled ferocious affray and Captain Deane sent six men to help the town's constable subdue the fracas. The force was not large enough and eventually Deane dispatched his entire force which after some difficulties restored order. Sixteen men were thrown into jail for the night and two more the next day.[37] Such large-scale brawls were uncommon, however, and usually the Hungarian quarters were no more restless than 'the Point'.

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[35] No documentation is available on this point. The author was told by a grandson of William Stafford that he had read a letter from Sir Alexander to Stafford instructing the mine manager to hire Hungarians in favour of Nova Scotians because the former were willing to work for lower wages. Such activity was not out of character for Sir Alexander.

[36] PAC, RCMP Records, (RG 18, A-1), Vol. 21, No. 273, Lethbridge Monthly Report, July 1, 1888.

The *Lethbridge News*, however, claimed that the incident was typical of Hungarian behaviour and, in a vehemently racist editorial, it condemned the foreigners. With undisguised contempt, the editor banefully disparaged the central Europeans and maliciously exaggerated the strangeness of their habits.

> For some time past we have had in our midst a large colony of Slavs and Hungarians. Although it has from the first been evident that they were not the proper class of men to assist in the building up of a new country, so long as they conformed to our laws and behaved quietly and respectfully, we had no right to complain of them as immigrants. But during the last few months complaints have frequently been made by citizens having the misfortune to live in their neighborhood, of the great disturbance caused by their drunken orgies and unseemly conduct of the people of these races. Sunday, a day which is more especially regarded in the Christian community as a day of peace and quietness, being a holiday, appears to be the day which the Slavs and Hungarians in this place more especially mark by revelry and riotous conduct. But the discontent which has at last broken out in a blaze, fanned by the brutal conduct of these people last Sunday evening ... has shown clearly that the existence of such a degrading class cannot be tolerated in a civilized community. If they cannot yield obedience to our laws and conform to our institutions the Hungarians and

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[37] Ibid.

> Slavs must go. As a race they are probably the most despicable that have yet found their way to Canada. Uncivilized and degraded in their habits, they might aptly be summed up in the words, 'Manners they have none, and their habits are beastly'. Many of their customs are in the highest degree repulsive to civilized people. With them marriage with girls of tender age, who have not yet entered their teens, appears to be a common thing, and their mode of living is both filthy and unwholesome.[38]

While the police viewed the Hungarians with more understanding and less passion, basically their view was little different than that of the *News*. To deal with the problem, Deane ordered a Hungarian constable to act as an undercover agent and gather evidence of illegal liquor traffic among the central Europeans, an activity which resulted in some arrests.[39] No such undercover man was sent among the English-speaking miners, nor were offenders from that group ever labelled by their ethnic origin when arrested as were the Hungarians.[40]

In sum, many Lethbridgites thought that the central Europeans with their strange habits and foreign language did not belong in the neat picture of the nice, respectable town they envisioned. They desired to build an idealized Ontario, or for that matter British, society, established by upright, conscientious men full of enterprising zeal who were determined to tame the wilderness and wrest from its bosom the rich natural resources. They believed in a myth: here in Lethbridge they had been given a chance to start a fresh, new and better society, freed from the mistakes of previous generations, and founded upon the principles of equality and democracy. Industry and progress were the watchwords of the new community; men would not inherit wealth but earn it with hard work. Its mores were to be a fancied Victorian ethic, that is, a Christian society where the unchallenged authority of the family, church, school and police maintained law and order, sobriety and morality. Above all it had to be a homogenized culture with one ideal, one religion and one language.[41] The Slavonic people did not fit this mould and thus the editor of the *News* and his compatriots, seeing their dream world crumble, blamed the destruction on the aliens. Afraid of the violence, intemperance and moral degradation, which to them appeared to be the primary characteristic of the "foreign element", the writer of the newspaper attacked them viciously while at the same time he ignored the cancer of 'the Point' and never denounced the debauchery prevalent there. Furthermore he never condemned the individual incidents symptomatic of the large ills of the community, for example, the intoxicated Mounted Police constables on church parade or the alcoholic telegraph operator, often unable to transmit an important message.[42]

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[38] LN, June 28, 1888.

[39] PAC, RCMP Records, (RG 18, A-1), Vol. 21, No. 273, Lethbridge Monthly Report, July 1, 1888.

[40] Examples of such ethnic labelling abound. See Ibid., August 1, 1888; Vol. 63, No. 247, December 31, 1892; Vol. 91, No. 148, March 31, 1894; Vol. 101, No. 37, January 4, 1895. Deane once characterized the Hungarians as "treacherous and cowardly". Ibid., Vol. 21, No. 273, July 1, 1888.

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[41] P.F.W. Rutherford, "The Western Press and Regionalism, 1870-1896," Canadian Historical Review, LII (September, 1971), 287-305, shows how this myth was common to most western newspapers, but he does not link this to anti-racial feelings. Lethbridge would have been one of the first urban centres in western Canada to experience such virulent animosities.

[42] Constable Maclean was found intoxicated in the Presbyterian Church. He consumed a number of drinks with other constables

Lethbridge, then, like many other western Canadian towns, was a different community than appeared on the surface.[43] Beneath the tranquility idealized by its newspaper and personal memoirs boiled the tensions and conflicts of its young citizens. The causes for such behavioral conflicts are too complex to unravel entirely. Certainly the youthfulness of the community still without settled patterns, hardened traditions and well-defined taboos were factors shared with other settlements, but in the case of Lethbridge the nature of the community and its economic base seemed to intensify the problem.[44] The transiency of the mining population bred a violence-prone and unstable society because many of the miners lacked an abiding interest in community affairs. Their views were short-ranged since most of them worked in the mines only in the wintertime and left for the summer when the mines slowed production. Thus, unlike the businessmen and company officials, many of the workers hoped to earn enough in the mines to begin a new life elsewhere, perhaps on a farm. The occupational

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before going on the church parade. The illegal alcohol had been bought from yet another constable. PAC, RCMP Records, (RG 18, A-1), Vol. 39, No. 137, Lethbridge Monthly Report, April 30, 1890.

[43] Lethbridge was certainly not unique in this respect because in Calgary whiskey could be bought at any hour of the day in any of fourteen saloons at twenty-five cents a glass. The local police officer complained that public sympathy for the whiskey dealers made it impossible to enforce the liquor legislation. Ibid., Vol. 15, No. 34, memorandum, Herchmer to the Commissioner, Calgary Weekly Report, December 8, 1887.

[44] Very similar to Lethbridge was the mining camp of Anthracite which had a large number of saloons, brothels and gambling houses. There were several cases of murder and, in 1888, when the company could no longer constrain the violence bred by massive importations of whiskey, it appealed to the NWMP for extra men, a precaution made unnecessary when the company closed the mine. Ibid., Vol. 22, No. 408, Stewart to White, April 10, 1888; memorandum, White, May 29, 1888.

hazards amplified the tensions bred by boredom in the male dominant society. Work in the mines was difficult, dark and wet; death lurked constantly in an unstable roof, a careening coal car or poisonous gas. After a week of this wearisome pressure, the workers, many of whom were single, sought relaxation in excessive drinking which at times exploded into violence.

III. Incorporation

Unlike the many rootless miners, to whom Lethbridge was but a temporary abode, the town's businessmen intended to establish their firms there and thus they enthusiastically supported all projects which promised to stimulate economic activity. To these local entrepreneurs progress and expansion meant an increase in personal wealth and, therefore, the growth of the settlement was of paramount importance. The vision of Lethbridge growing into a huge metropolitan centre dominating southern Alberta was firmly entrenched in the minds of many businessmen, as well as company officials, and in this sense they were community-minded as no miner could ever be. Consequently, they became the leaders in the establishment of schools, churches and other social organizations, but in no other area is their role and motivations so clearly revealed as in the movement toward the incorporation of the town.

Talk about incorporation was popular through 1888, but little was done. Instead the community governed itself with makeshift measures. Whenever a need or problem arose, a few men nominated an *ad hoc* committee to collect funds by subscription and satisfy the want. At times these provisional arrangements worked but usually they did not. One committee, for instance, successfully fenced the townsquare and transformed it into a community sporting field rather than a turn-about for bulltrains.[45] At another time, however, a group collected funds to purchase a ladder and tarpaulin for fire fighting but, since no one was placed in charge, the equipment was lost.[46] Lasting reform, therefore, required permanent government.

After a number of attempts to incorporate Lethbridge had failed, several shopkeepers met in a smoky backroom of Henderson's Lethbridge House on September 16, 1889, and approved a motion to form a Board of Trade and Civic Committee. Two days later twenty-nine men signed their names to a declaration founding the Board and at the same time named a committee to draft a constitution. On September 25, elections were held and, to his own great surprise, C.A. Magrath, who had kept himself in the background, was elected by acclamation as the first president. Magrath later reasoned that he was chosen to prevent jealousy among the merchants, but his prominent position with the N.W.C.&N.Co. was an important factor. He implied this when he wrote that his election "turned out an excellent move, as it brought about a contact that grew into a harmonious and active co-operation between the citizens of Lethbridge and the Company for the development of the district which was of great moment to both."[47] Certainly the merchants were very conscious of the mutual interdependence of their businesses and the company. The town's economy depended entirely upon the corporation for its existence but, at the same time, the mines and railways in turn counted on the townsmen to feed, clothe and house its labour force. As a result company officials continued to play a prominent role in civic affairs and C.A. Magrath, who was not only a prominent official and a personal friend of Elliot Galt but who also was interested in the community, made a logical choice to cement this crucial relationship.

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[45] LN, May 1, 1888.

[46] Ibid., January 30, 1889.

[47] Magrath, The Galts, p. 40.

As its title suggests, the primary aim of the Board of Trade and Civic Committee was the incorporation of Lethbridge but at the same time it also promoted reforms intended to enhance the status of the settlement. It launched a petition, for instance, for a courthouse in Lethbridge as it considered the police barracks to be inadequate for this role.[48] The business community also wanted a land registry office established in Lethbridge to save the long drawn out transactions by mail with the Calgary office.[49] At another time the Board planned to establish an inspector of nuisances, a move vetoed by Captain Deane who felt that "such an expense was unnecessary" and, as he put it, "a reflection upon the Police."[50] Indirectly Deane's statement pointed to the necessity of incorporation as the Board had neither the authority nor financial resources to govern Lethbridge.

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[48] LN, Feburary 5, 1890.

[49] *Ibid.*, October 24, 1890.

[50] PAC, RCMP Records, (RG 18, A-1), Vol. 30, No. 130, Lethbridge Monthly Report, September 30, 1889.

To give the businessmen this power to make reforms, the Board initiated the movement to incorporate the town. Its president, C.A. Magrath, was the leader and he spent much of his time on this endeavour. On April 17, 1890, the Board approved a motion stating "that the executive committee ... draft a scheme of incorporation to be submitted to the Board of Trade for approval and then to the ratepayers at a public meeting to be called."[51] At a subsequent meeting the Board approved a motion which defined the town's boundaries,[52] and in June the committee set the limit of the assessment rate at one and one-quarter cents per dollar, a rate which excluded school taxes.[53] To this point, all the planning and execution of incorporation had been carried out by members of the Board of Trade and no one else had been consulted.

The only obstacle in the way of incorporation which the Board anticipated was the matter of taxes and the advocates of incorporation had to convince an apathetic public that the marvellous improvements which local rule might bring were worth the cost of a tax levy. The editor of the *News*, himself a member, expressed the sentiments of the Board, and he noted that incorporation was a necessary step in the settlement's evolution since only a town council could introduce stability and organization to the amorphous litter of houses and people. A local government could build sidewalks sorely needed when rain transformed the dusty streets into hopeless quagmires; it could rid the town of putrid garbage and rotting carcasses strewn around the houses. The editor further pointed out that only a municipality could offer bonusses to attract the manufacturers and industrialists needed for the town's growth. The most important service which it could provide, according to the newspaper, was water lines, which not only cut the cost of water, but provided fire protection and thus drastically reduced high insurance premiums.[54] In all, the *News* argued that the taxes which were already set low, were justified because local control would make Lethbridge a more attractive place to come to, live and work; incorporation was the essential step to ensure expansion to metropolitan stature.

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[51] PAC, Magrath Papers, Vol. 4, File 27, Extracts from the minutes of the Board of Trade, April 17, 1890.

[52] Ibid., May 31, 1890.

[53] Ibid., June 3, 1890.

The citizenry was not the only body to object to taxation because Elliot Galt made it quite clear that he would approve corporate status only if the assets of the N.W.C.&N.Co. and the A.R.&C.Co. were exempted from taxation.[55] Elliot Galt, who made his home in Lethbridge, seldom participated in the community's social and political affairs beyond the standard donations to worthy causes. At this time, however, as the resident manager, he refused to accept a definite tax burden on the companies' properties. As no one dared to oppose the economic mainstay of the community, incorporation was impossible without his support. Accordingly, at a fourth meeting, the Board approved the principle of excluding the company's coal shafts, workshops, engine houses, rolling stock, and tracks from taxation for a period of twenty years. The company did remain liable for school taxes.[56] By granting this major tax concession, the planners removed the largest obstacle to incorporation but, by limiting the exemption to twenty years, the committee wisely avoided the folly of perpetual tax losses.

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[54] LN, July 9, 1890.

[55] Ibid., August 22, 1888.

[56] PAC, Magrath Papers, Vol. 30, File 27, Extracts from the minutes of the Board of Trade, June 20, 1890.

To this point Magrath's committee had written the entire incorporation scenario without any reference to the majority of the citizens of Lethbridge. To ascertain the feelings of this group, the committee decided to hold a referendum on July 19, 1890, a move strongly criticized by the *News* which felt that the vote was unnecessary and a waste of time.[57] The voters approved the scheme but their numbers were ominously small as only sixty people bothered to register their opinion. The *News* fumed, "From this we can only infer that we have amongst us a large number of citizens who take such slight interest in the welfare of the town that they will not even take the trouble to attend the polls when such important questions are being agitated."[58] Unfortunately, the editor did not assess the reasons for this apathy nor did he ascertain the number of eligible voters. Probably most of the railwaymen and miners did not think incorporation to be an important issue and were content to follow the aggressive leadership of the shopkeepers, professionals and company officials.

Undaunted by the lack of popular enthusiasm, Magrath and the Board of Trade moved ahead. With the required census completed[59] and a referendum held, the Board sought authority from the territorial government to incorporate Lethbridge, a petition granted late in August.[60] On December 29, 1890, the residents were asked to approve the act of incorporation. The turnout, while better, was still only a handful as only 142 people approved and four rejected the measure. This time the *News* felt that the vote was small because the workmen "feeling sure there would be no opposition did not take the trouble to go to the poll."[61] Coupled with the fact that incorporation as such made little difference to them personally, the paper's explanation was a reasonable one. The apathy of labour contrasted sharply with the activity shown by the town's middle class and clearly illustrated the growing gap between the two groups. The aspirations of both classes regarding the future of Lethbridge as a community differed greatly and the workers did not share the merchants' dream of major metropolitan status for the community.

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[57] LN, July 9, 1890. The experience of Lethbridge was not unique as a similar apathy existed among the general population of Calgary where local government was also conducted by the merchant class. See Foran, "Calgary Town Council," particularly pp. 58-66. Lethbridge did differ from Calgary in that a prominent company official took a leading part in the establishment of local government.

[58] LN, July 23, 1890.

[59] The census, held late in June, showed the population to consist of 789 males, 281 females and 408 children, for a total of 1,478

IV. Metropolitanism in Miniature

The capital which provided the economic basis for Lethbridge also enabled the townsmen to extend their influence into the immediate hinterland.[62] Since the town was the terminal point of two

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residents. City of Lethbridge, City Clerk's Office, File 1890, Census Lethbridge.

[60] LN, August 21, 1890.

[61] The Semi-Weekly News, January 6, 1891.

[62] In this section the word 'metropolitanism' conforms to the definition of J.M.S. Careless as "the emergence of a city of outstanding size to dominate not only its surrounding countryside but other cities and their countrysides, the whole area being organized by

railways, it became the trading centre for the far southwestern region of Alberta. Before 1890 this commercial structure was still crude and immature but, according to the *News*, Lethbridge would grow unremittingly because she had both sufficient capital and abundant resources. Tottering dangerously on the edge between gross exaggeration and outright lie, the weekly boasted "Built upon a coal mine of practically limitless extent, whose output is and always must be in great demand as being the best steam coal in the North-West, we have a sure foundation that ensures a steady growth and prosperity for our town."[63] Although several seasons had proved otherwise, the *News* crowed that neither season nor climate affected production and it unrealistically asserted that the railways would always continue to buy Galt coal. "So long as the boundless prairies of the North-West are traversed by railways," the editor gloated, "there shall always be a sure market for Lethbridge and our town will steadily prosper."[64] As far as he was concerned, Lethbridge was bound to become an important industrial, agricultural as well as commercial centre and certainly the first or second largest city in the Northwest. People would be attracted by its excellent facilities, like schools and churches, and its reputation for law and order. "In no other place in the North-West have all the requirements of civilization

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the metropolis, through control of communications, trade and finance, into one economic and social unit that is focussed on the metropolitan 'centre of dominance' and through it trades with the world." See his "Frontierism, Metropolitanism and Canadian History," Canadian Historical Review, XXXV (March, 1954), p. 17. The word 'hinterland' is synonymous with 'countryside'.

[63] LN, July 5, 1888.

[64] *Ibid.*

and progress been acquired in so short a time," the *News* concluded with a grand flourish, "and there is none that holds out more brilliant prospects for the future."[65] The vast supply of coal and the apparent stability of the large corporation exploiting the resource bred a smug security among Lethbridgites expressed in their newspaper's aggressive expansionism.

The arrogant claims of the *Lethbridge News* rankled at least one of the neighbouring communities. C.E.D. Wood, the editor of the *Macleod Gazette*, watched developments with some trepidation. For many years Fort Macleod had been the police and ranching centre of the southwest and the fledgling mining community was threatening this position. As early as 1885 the editor noted with some alarm that many people were leaving "to swell the already large Macleodite colony in the ambitious town of Lethbridge."[66] The greatest threat was the railway. Macleod depended greatly upon the transportation lines controlled by Galt's N.W.C.&N.Co. as all its supplies, food, hardware and mail came by the way of company trains to Lethbridge to be transhipped to stagecoaches and bulltrains. Since mud and snow often blocked the Lethbridge-Macleod trail or swollen rivers swept away the ferries, perishable goods were often stacked for weeks along the trail. Feeling particularly vulnerable to the vagaries of nature and the domination by Lethbridge merchants, the town desired its own rail connection, preferably with Calgary. Without such a railway, Macleod would be sucked into the vortex of the Lethbridge commercial structure and its own growth retarded.

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[65] Ibid.

[66] The Macleod Gazette, December 15, 1885.

That cattle were already being shipped from the Macleod area by way of Lethbridge demonstrated to the editor of the *Gazette* the potential danger of Lethbridge competition.

Wood's great concern for the economic welfare of Macleod led him into a bitter and futile argument with his partner Saunders of the *News*. The debate has interest because it illustrates the acrimonious rivalry among western communities and the tremendous value they placed on railways as the catalyst for growth, an ideal based on the economic motives of expansion and progress.

In 1888, for instance, C.E.D. Wood watched the Galt railway plans with mixed feelings. While he was pleased with the road from Calgary to Fort Benton, he feared that the projected route by-passed his town and so he expressed the hope that the Galts recognized the folly of laying tracks through the desolate country between Calgary and Lethbridge and would choose instead the fertile foothills between Calgary and Fort Macleod. To serve its colliery and the town, the company could always build a short spur line to Lethbridge.[67] When the *News* casually dismissed his argument as mere localism, Wood angrily replied that his stance was not based on local interest but on the economic fact that settlement was bound to come to the foothills before the plains, making a route through Fort Macleod the most profitable.[68] Later, in November, Wood broke completely with his former partner because the *News* suggested that the recently announced railway from Calgary to Montana, promoted by Calgary lawyer James Lougheed, should be amalgamated with Galt's scheme.

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[67] Ibid., April 4, 1888.

[68] Ibid., April 18, 1888.

Wood, tormented by the thought that such collusion could leave Fort Macleod without rail communication, lashed out at the chauvinistic *News*. In a full-page editorial he denounced the claim of the *News* that Lethbridge was the future metropolis of southern Alberta and he accorded that honour to Calgary. According to Wood, Saunders' proposal was childishly simple because Calgary, as the largest regional distribution centre, had nothing to gain from a link with Lethbridge. The best railway route, according to the *Gazette*, was through the rich coal, agricultural and ranching lands of the foothills. Such a line would also stop the alarming growth of Lethbridge. "A line from Macleod would cut off Lethbridge and give Calgary the rich and prosperous foothills country, which with railway communication, will rapidly fill up with people."[69] In this way, the editor believed that Macleod could escape the domination of ambitious Lethbridge and instead progress along with Calgary.

The argument simmered through the winter and flared up again when the *News* once more published glowing predictions about the town's inevitable bright future. The *Gazette*'s reply revealed the desperation of an editor who realized that his community was losing the battle for regional economic control.

> But Macleod is at present entirely without railway communication and requires it, and we consider it selfish, narrow minded and unjust to the whole country for the News to place any obstacle in the way of attaining this end. When it takes that stand we must and will resist it, and if to do so, unwelcome truths must be stated, we cannot help it. One would almost think that Lethbridge feared Macleod, and thought its own salvation depended wholly upon keeping us shut out from railway communi-

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[69] Ibid., November 15, 1888.

> cation. Such feeling is not worthy of a community whose excellent natural prospects are so bright as those of Lethbridge.[70]

In 1889 the prospects of a railway to Macleod had hardly moved beyond the planning stage. Wood, himself, and a group of Calgary and Macleod businessmen founded the Calgary, Alberta and Montana Railway, while the North-Western Railway Company of Canada also sought a charter for a railway from Calgary to Montana. Since the latter company was not permitted to build its line within twenty miles of Galt's road south of Lethbridge, its president, C.T. Drummond, and Sir Alexander Galt concluded an agreement in February, 1889, for the mutual interchange of traffic and a union station at Lethbridge.[71] In light of this agreement the prospect for a Macleod-Montana railway was very dim.

In the spring of 1890, confidence in the future of Macleod was restored. A new firm, the Calgary and Edmonton Railway Company, absorbed the Calgary, Alberta and Montana as well as the Great North-Western Railway.[72] The editor of the *Gazette* optimistically predicted that this railway would become a section of the north-south axis route to the Gulf of Mexico and that Fort Macleod would be part of it.[73] In addition the prospect of Galt's railway to the Crowsnest pleased the editor so much that he intoned rhapsodically, "a duet by the locomotives ... will be the most inspiring music that Macleod has listened to for a long time."[74] His statement characteristically embodied the aspiration of western communities. The mere announcement of the intent to build a railway had already sparked speculation in the town's real estate — twenty lots were sold within a week, ending a long period of economic stagnation.[75] According to the *Gazette*, with two railways approaching Macleod, substantial growth was inevitable.

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[70] Ibid., February 21, 1889.

[71] PAC, Macdonald Papers, Vol. 220, Galt to Macdonald, February 17, 1889.

[72] Canada, Acts of Parliament, 53 Victoria, Chapter 84, April 24, 1890.

[73] The Macleod Gazette, May 8, 1890.

It was not to be. The agreement between Drummond and Galt still stood and thus the Calgary and Edmonton Railway was to terminate at Fort Macleod, denying it an avenue to the south. In addition, the actual construction of the lines was still several years away and in the meantime those communities blessed with railways continued to grow and sap the strength of Macleod. Calgary, with excellent rail facilities, became the ranching centre of southern Alberta,[76] while Lethbridge took over much of the region's police work and continued to establish herself as the distribution centre for the far southwest. Not only was it the major supplier of fuel to the Canadian prairies, but it furnished groceries, furniture, machinery, mail, transportation and other services for the southwestern region so that the few isolated settlements, like Lees Creek (future Cardston), Pincher Creek and Macleod, as well as the scattered settlers and ranchers began to regard Lethbridge as their marketing centre. At this point the metropolitan structure was still primitive and immature but the aggressive merchants of Lethbridge had already taken advantage of the opportunities afforded by the facilities of the Galt companies to establish a rudimentary control over a still sparsely settled hinterland.

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[74] Ibid., May 15, 1890.

[75] Ibid.

[76] See Breen, "Ranching Frontier," pp. 192-204.

As with the large metropolitan link which Galt had forged, the miniature structure created by the merchants of Lethbridge was not merely an impersonal force but the product of human enterprise. Galt, contrary to common practise, had permitted Lethbridge to become a free town entirely and thus he presented local entrepreneurs with the opportunity of utilizing the company's resources, mainly the railway, to expand outwards and make the settlement a thriving commercial centre rather than an unprogressive mining camp. As a result, much as Sir Alexander had worked hard to extend the financial power of London to Lethbridge, regional promoters, like Bentley and Higinbotham, strove to spread the influence of the town across its hinterland. The shopkeepers, aided by company officials and professionals, laboured together to make their community prosperous and influential as a distribution centre for southern Alberta and the major industrial city of the Northwest, a vision spawned by the abundant resources of coal and soil with which the area was blessed. As a necessary step in the desired evolution to metropolitan stature, they formed a Board of Trade to incorporate the town. In this, as in other facets of community life, the promoters of Lethbridge seldom consulted the largest element of the town's population, the workers whose aspirations scarcely included city building. In fact, the local entrepreneurs, in their zealous endeavour to create a favourable and progressive image for prospective settlers, repressed the other face of Lethbridge in a conscious effort to minimize the seamy aspect of urban life in a frontier environment. In doing so they left a distorted picture.

CHAPTER EIGHT

A MATTER OF PROFIT

I. The Galt Companies, 1891-1893

After 1890 Sir Alexander's health deteriorated rapidly and, although he retained a number of directorships and presidencies in various corporations, more and more of the financial work was shifted to his eldest son. In the western enterprises especially Elliot Galt, assisted by his lieutenant C.A. Magrath, increasingly assumed more control and in several instances travelled alone to London to meet with the directors. The visits were relatively routine as the company entered a period of retrenchment. The purchase of the N.W.C.&N.Co. by the A.R.&C.Co. was officially completed on March 4, 1891, and ratified by Parliament that summer.[1] Neither the collieries nor the railways lived up to the great expectations of large profits and thus the Galts' attention turned more and more to the land grants from which they hoped to realize more lucrative dividends. Since the semi-arid nature of the properties discouraged land sales, Sir Alexander, in the last years of his life, embarked upon an entirely new program for western land development, large-scale irrigation, a project completed by Elliot Galt.

In the 1890s the economic basis of Galt's corporate empire and the town of Lethbridge still was coal. Deeply underground in the intense darkness, interrupted only by tiny jabs of light from their lamps, teams of miners chipped away at the black fuel, while behind them timbermen erected the sets to support the heavy burden of rock and soil bearing down upon the low passageways. Elsewhere drivers and their horses distributed empty coal cars, gathered the full ones and pulled them through the narrow coal-encrusted tunnels to the shaft. Here labourers hurriedly loaded and unloaded the cages which lifted the one-ton coal cars onto the tramway and tipped their loads onto the sorting screens and into waiting railway cars, while other men hauled the unwanted shale and other refuse to the dump. The blackened surface structure of the old inclined railway and the new Shaft No. 1, standing on the edge of the benchlands, was the heart of the colliery. It was a vibrantly living conglomeration of hissing steam engines, pulsating driving rods, whining gears, revolving drums, shrieking cables, thundering coal cars and clanging screens. Everywhere the black dust rained and settled in deep layers on tracks, tipple, horses and men. Day after day the trickle of coal, collected from the many underground rooms, surged along the tracks and welled up in the shaft. This flow was the lifeblood of Lethbridge and the black mine building was its heart. When it ceased to pump the coal, Lethbridge stagnated.

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[1] Canada, Statutes of Canada, 54-55 Victoria, Chapter 77, July 31, 1891.

Throughout the winter of 1890-1891 the prospects of the Lethbridge collieries looked very bright. By the end of the year production soared to a thousand tons a day of which well over half was shipped to Montana.[2] Shaft No. 1 was the largest producer but the river bottom drift mine also contributed. Early in 1891 Shaft No. 2, built to the north of No. 1, went into operation as well.[3] Lethbridge benefitted greatly for in January alone the companies paid out $50,000 in wages to its 585 mine workers and 398 railway and shop employees. Several of the miners, who were paid on a contractual basis for the amount of coal extracted, earned over a hundred dollars a month. In addition to the large payroll, the company also spent $15,000 locally for supplies.[4] With the mines in full production the town prospered.

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[2] Canada, Department of the Interior, Annual Report, 1890 (Ottawa: Queen's Printer, 1891), p. xvii.

With the coming of spring optimism faded, however, and the remainder of the year was disappointing. The Anaconda smelting works, a large consumer of Galt coal, closed and the Great Northern and Union Pacific, which had mines of their own, began to sell coal at cut-rate prices. Since Galt had to pay protective duties, the American railways presented formidable competition and only the superior quality of his coal saved it from complete annihilation on the Montana market.[5] Meanwhile in the Canadian territories Galt faced serious competition from Pennsylvania anthracite, especially strong at Winnipeg.[6] As a result the two shaft mines closed for the summer while the drift mine operated two or three days a week. All redundant labour was dismissed and not rehired until Elliot Galt reopened Shaft No. 1 in September and Shaft No. 2 a month later.[7] When mine production faltered, the workers suffered.

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[3] Semi-Weekly News, January 6, 1891.

[4] Ibid., February 17, 1891.

[5] Canada, Department of the Interior, Annual Report, 1891 (Ottawa: Queen's Printer, 1892), Part I, pp. 6, 9.

[6] Galt sold about 12,000 tons of coal in Winnipeg at $6.75 per ton, while the Pennsylvania firms disposed of 18,000 tons at $8.00 per ton. Canada, Department of the Interior, Annual Report, 1890, p. xvii.

[7] Semi-Weekly News, September 7, November 23, 1891.

The company's fitful operations were reflected in its annual report of 1891. While the volume of business of its railways was growing, the financial statement claimed that the colliery had suffered a loss in the year's operations to be covered by a £35,000 transfer from its land reserve account. To pay the interest on the firm's debentures, the directors borrowed £50,000 and convinced the coupon holders to accept from twenty to fifty percent of their value in land.[8] Clearly the corporation's extensive landholdings were keeping its finances solvent.

Sales increased slightly during 1892 but the collieries, designed to produce 2,000 tons per day, seldom extracted more than 800 tons.[9] As the general economic depression continued during 1893 the situation improved very little. Fortunately, despite the heavy competition, Galt sold half of the Lethbridge production in Montana;[10] without the railway to Great Falls, his position would have been untenable.

Despite their poor performance, the Galt collieries were still the largest mining firm in the Canadian Northwest. The next largest was the Canadian North West Coal and Lumber Syndicate which had commenced development work in 1890 at Canmore and was rapidly replacing Galt coal on the CPR main line west of Medicine Hat. Nearby the H.W. McNeil Company, which had taken over the Anthracite properties, was carrying out work there as well as at Canmore but the company found it difficult to compete west in Vancouver or east in Winnipeg because of the high cost of transportation and because its product deteriorated during transit. Elsewhere along the CPR tracks the various coal mines had disappeared and even at Medicine Hat no significant amounts of coal were mined during 1893. A small operation was begun at Knee Hill (near modern Drumheller), while at Edmonton several concerns produced coal for local consumption.[11] The restriction to the small western Canadian market, imposed by the high cost of transportation, was the main factor in the slow development of Alberta's coal industry. The many failures throughout the Northwest clearly demonstrated that, although the district's coal resources were vast, mining was not an easy proposition but highly competitive and thus required careful planning as well as large-scale financing. Galt was more successful than the others because of his diversified operations which included the railways and large land grants.

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[8] The report was reprinted in the Lethbridge News, January 27, 1892. It must be remembered that Galt deliberately set high railway tariffs at the expense of the colliery in order to eliminate competition in the Lethbridge area. See p. 176, note 42.

[9] Canada, Department of the Interior, Annual Report, 1892 (Ottawa, Queen's Printer, 1893), Part I, p. 20.

[10] Ibid., Report, 1893, Part I, p. 20.

Fortunately for Lethbridge the mines were not the only source of income as the two railways also employed a large number of men. The town fully recognized the significance of the roads, and in 1891, when Galt was denied an extension to his Crowsnest Pass charter, its newspaper angrily charged the government with pandering to the CPR. According to the *News*, the A.R.&C.Co., which had done so much for the development of southern Alberta, would have aggressively fulfilled the terms of the charter, while the CPR had no serious intention to build in the near future. So the paper complained that because the government cared more about the CPR than the Northwest, the development of the rich resources of the pass would be stifled for some time. "The government at the present time cannot afford to do anything to alienate the support of the western people," the paper threatened, "but a few more acts like this will make Grits out of the most loyal Conservatives."[12] The paper revealed its real feelings in a subsequent editorial when it argued that the government should at least have required the CPR to build immediately.[13] In other words, development itself was paramount, not the identity of the developer.

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[11] Some Edmonton colliers did send surplus coal to Calgary but at this time the quantities were small. Ibid.

Whether or not Galt seriously intended to build a railway to the Crowsnest Pass is unclear but he certainly planned to make some arrangement with the CPR. In July 1892 Galt reapplied for an amendment to his Crowsnest Pass charter and Parliament granted him the right to push his railway through the pass as far west as Hope, British Columbia, to connect with the CPR main line. One important provision stated that until the company had commenced actual and uninterrupted construction of the railway, Parliament reserved the right to grant the charter to any other company,[14] meaning the CPR. That Galt did not commence construction immediately indicates that he was not very eager to build the line.

Since Galt's railways were in a very strategic location, he had little problem coming to terms with the CPR. As he had done in

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[12] Semi-Weekly News, July 8, 1891.

[13] Ibid., July 15, 1891.

[14] Canada, Statutes of Canada, 55-56 Victoria, Chapter 30, July 9, 1892.

1853 with the Grand Trunk, Galt played on the spectre of ruinous competition with rival American railways. A perceptive editorial in the *Lethbridge News* speculated that the CPR, the A.R.&C.Co., and the Great Northern were playing a poker game, with Galt pitting the two giants against each other. The *News* pointed out that even though CPR inspector Whyte claimed that it was cheaper to build than to buy, it was also true that the Great Northern could purchase a link through the Crowsnest Pass by way of Galt's charters and his Montana railway.[15] The paper's point was valid as Galt held an important link in the CPR's overall plans. If it wanted to acquire control of Oriental traffic and the Pacific coast, the CPR had to compete with the Great Northern[16] and thus it could not afford to cede the Crowsnest to the American railway. Accordingly the CPR agreed to lease the 110 mile Dunmore to Lethbridge railway and acquire the Lethbridge to Crowsnest charters.[17] The widening of the road, begun by Elliot Galt in 1890, was completed during the summer and fall of 1893 and on November 28, 1893, the first CPR train rolled into Lethbridge, signalling the beginning of the end of the Galt railway enterprises in southern Alberta.[18]

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[15] LN, May 25, 1892.

[16] Harold A. Innis, A History of the Canadian Pacific Railway, foreword by Peter George (Toronto: University of Toronto Press, 1971), p. 139.

[17] Unfortunately no records are available which would reveal some of the financial details of the transaction. The relevant act of Parliament simply authorized the A.R.&C.Co. to lease or sell its railway interests. See Canada, Statutes of Canada, 56 Victoria, Chapter 38, April 1, 1893.

[18] PAC, RCMP Records, (RG 18, A-1), Vol. 74, No. 73, Lethbridge Monthly Report, November 30, 1893.

By the end of 1893 the expected onrush of settlers had not yet come to western Canada and Galt's companies suffered accordingly. The collieries especially were designed for a much larger market than either the Northwest or Montana could provide; as a result, they did not generate the great profits which Galt had anticipated. Fortunately he presided over a diversified corporation and the railways and land grants produced additional revenues for the investors as well as employment for Lethbridge. Little expansion was carried out at the mines after 1890 nor did Galt expend more funds on the railway, preferring the lease arrangement with the CPR. In this period the Galts devoted their energies to the promotion of their extensive landholdings which held the key to the long-awaited profits.

II. The First Attempt at Irrigation

Although the Canadian government was quick to bestow generous land grants upon Galt's companies, Sir Alexander encountered considerable difficulty in gaining their titles and selling them to settlers. Much of the first subsidy lay within the CPR belt and thus Galt was forced to choose tracts further south in relatively undesirable territory.[19] Unlike all the other land grants, those of Galt did not stipulate they had to be "fairly fit for settlement", a provision left out probably because he intended to use the land for grazing rather than cultivation. In any case, the location of the properties in the semi-arid region of the far southwest brought about two new developments, the granting of lands in alternate townships and the introduction of extensive irrigation.

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[19] Canada, Order in Council, May 26, 1885.

In October, 1885, upon the completion of the Dunmore line, Galt requested that his company be allowed to select its lands in alternate townships rather than sections. In the case where townships were bisected by a river, the stream was to serve as the boundary. The change was necessary, according to Sir Alexander, because sections were too small for large ranching operations. He claimed that C.J. Brydges, the Land Commissioner for the Hudson's Bay Company, had agreed to take those sections reserved for his company affected by the change elsewhere provided they too could be taken in parcels of at least half a township. Galt suggested, furthermore, that the school lands could similarly be set aside somewhere else.[20] The government reacted favourably to the proposal and decided to amend the Land Act to cover all colonization railways.[21] Accordingly the enabling legislation, passed without any significant opposition in June, 1886, permitted railway companies to choose their grants in alternate townships provided they had gained prior approval of the Hudson's Bay Company.[22] The latter provision could prove to be a stumbling block as, in Galt's case, C.J. Brydges withheld concurrence for two years so that the N.W.C.&N.Co. did not receive title to several townships southeast of Lethbridge until the summer of 1887.[23] Despite the delays, Galt had initiated a radical change in Canada's land policy, a new principle applied to several other railway colonization companies, including the final portion of the CPR subsidy.[24]

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[20] Ibid., October 19, 1885.

[21] PAC, Department of the Interior Records, (RG 15), Vol. 291, File 62709-2, Burgess to Wilson, February 25, 1886.

[22] Canada, Statutes of Canada, 49 Victoria, Chapter 12, June 2, 1886.

Despite the change in policy, Galt still encountered difficulty in actually selling the land. By the end of 1889 he had disposed of only about a third of the grant. While a number of individuals bought small sections, two large landholders had acquired the remainder. Two parcels of ranching lands containing over 50,000 acres were sold to Sir R.W. Cameron, a director of the A.R.&C.Co., while nearly ten thousand acres were transferred to Charles Ora Card, a Mormon settler from Utah.[25] It was the latter sale which led the Galts into an entirely different direction.

Charles Ora Card, a very talented secular as well as religious leader, was born in 1839 in New York and moved with his parents to Logan, Utah, around 1856. Here Card became a successful farmer, entrepreneur and teacher, simultaneously held a number of civic positions, and at the age of thirty-eight was called to be a High Priest. In 1886 he was arrested for unlawful co-habitation with three wives but managed to escape to Canada where he selected lands near the junction of the St. Mary's and Waterton rivers as a future colony for Mormon fugitives. After recruiting a number of families in Utah for the new settlement, Card returned to southern Alberta in the spring of 1887. The group elected to stay at Lee's Creek, shortly to be the town of Cardston, and within years established a prosperous settlement based upon its strong sense of religious community. Card petitioned the Canadian government for a number of concessions, including the right to buy an entire township to accommodate the hamlet system to which they were accustomed in Utah.[26] The entry of the Mormons into western Canada, however, had aroused a vicious storm of protest, particularly from areas outside of southern Alberta, and the federal government, buffetted by bitter petitions against the supposedly polygamous Mormons, was afraid to grant special favours to the group.[27] As a result it instructed Card to settle his people according to the regular homestead regulations.

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[23] GAI, N.W.C.&N.Co. Papers, Box 1, File 1, Burgess to Galt, December 4, 1886; Douglas to Magrath, April 4, 1887; and Ibid., File 2, Land Patents, May 16, 1887.

[24] Hedges, Land Policy, p. 89.

[25] By November of 1890 the company had acquired rights to 839,216 acres at ten cents per acre for a total of $83,921.60, in addition to purchases of $39,120 in coal lands for a grand total of $123,041.60. It had sold 103,090.54 acres of farm lands for $133,356.98 as well as several hundred acres of coal lands and surface rights for $5,666.25. Revenues thus exceeded expenditures by $15,881.63, not including interest or administration charges, a cheery prospect for the remaining 740,000 acres. See GAI, N.W.C.&N.Co. Papers, File 9, Statement of Railway Land Grants and Coal Lands, November 12, 1890; also Ibid., File 3, undated report on land sales to December 31, 1889.

Rebuffed by the government, Card next sought the aid of Charles Magrath, the land agent for the N.W.C.&N.Co. The two had become acquainted during Card's frequent trips to Lethbridge for supplies and land negotiations, and they had become close friends. Magrath worked out an arrangement whereby the N.W.C.&N.Co. would chose as part of its land grant that township in which Cardston was located and subsequently sell the property to the Mormons. In this manner the federal government could not be accused of favouring the sect.[28] So sensitive was the cabinet to the Mormon issue that it refused to grant the company the required townsite, much to the disappointment of Charles Card.[29] Instead the church purchased 9,690 acres from the company elsewhere at $1.25 an acre.[30]

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[26] A. James Hudson, Charles Ora Card, Pioneer and Colonizer (Cardston, Alberta: By the author, 1963).

[27] University of Alberta Archives, Pearce Papers, Box 42, 14-B-11, No. 2275, Ferguson to Magrath, June 3, 1889; Pearce to Magrath, November 20, 1888.

It was Charles Card who provided the impetus to large-scale irrigation in southern Alberta. While a few individuals built several isolated ditches around Calgary and Macleod, the Mormon leader was the first to fully recognize the feasibility of utilizing the many rivers of southern Alberta to overcome its deficiency in rainfall. In Utah the Mormons had become leaders in the art of applying water to semi-arid soils and Card, who had extensive irrigation experience, immediately realized the possibilities in the Northwest. He impressed upon C.A. Magrath the potential wealth which the territorial streams could create if the abundant waters were distributed on the land. The two men approached Elliot Galt who enthusiastically endorsed the idea of large scale irrigation.[31] The three men formed an invincible partnership. Elliot Galt, carefully schooled in the craft of entrepreneurship and colonization by his father; C.A. Magrath, a meticulous surveyor and ardent land developer; as well as Charles Card, imbued with charismatic leadership and practical irrigation experience.

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[28] Ibid., Magrath to Pearce, November 15, 1888.

[29] Ibid., Card to Pearce, August 6, 1889.

[30] GAI, N.W.C.&N.Co. Papers, Box 1, File 1, undated report of land sales.

[31] Magrath, Father and Son, p. 41.

In the fall of 1890 a number of church leaders, touring the Mormon settlement, were so impressed with the progress made by the community and the tremendous opportunities available in western Canada, especially for future Mormon colonies, that they authorized Card to purchase a large tract of land from the A.R.&C.Co. The following summer Charles Card and John W. Taylor, the church president, agreed to rent from the company over 720,000 acres of land for two cents per acre annually for four years after which they were to buy it at one dollar per acre. The Mormon church further promised to build several hamlets on the properties; bring in settlers; and, most importantly, have the incoming settlers provide the labour for the construction of irrigation canals.[32] To administer and supervise this gigantic undertaking, Galt created two new companies — the Lethbridge Land Company to buy all the town plots, farm lands and mortgages from the A.R.&C.Co.,[33] and the Alberta Irrigation Company to finance the irrigation works. The latter company, a joint venture between the Galts and the Mormons, was incorporated, after some delay, in April, 1893. To prevent an uproar of anti-Mormon feelings, no churchmen were named to the board; instead the act of incorporation listed Sir Alexander Galt, Elliot Galt, Charles Magrath, Isaac Haines, Alexander

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[32] GAI, Jacobsen Project, File 234, Charles Ora Card, p. 9.

[33] LN, January 27, 1892. The lack of any further documentation precludes any firm conclusions on the nature of the company but it probably was another of Galt's ploys to strengthen the coal mining enterprise. A large sale to the Mormons would certainly give the new company a very healthy balance book as well.

Ferguson and Donald Davis as directors.[34] Despite the omission of Mormon names, the new corporation represented the first step in a very effective alliance between the church and the Galt companies, a partnership which completely altered the natural character of southern Alberta.

The Mormons, in effect, agreed to purchase and help develop nearly three-quarters of the entire A.R.&C.Co.'s land grant. Such an enormous undertaking required large amounts of capital and so the Galts were faced once again with the task of seeking funds for expansion. Since Sir Alexander was ailing, the prime responsibility for financing the project fell on Elliot who assumed the task with as much gusto as his father had always mustered for grand projects. No amount of enthusiasm, however, could overcome the circumstances of the day. The expected throngs of immigrants still had not arrived in the Northwest and the prevailing economic depression still closed the financial markets to western Canadian enterprises. The British partners, who for over ten years had made heavy commitments to southern Alberta without any spectacular returns, flatly refused to invest more money; the Mormon church, likewise, refused to assume the entire financial burden; thus the agreement was cancelled and the irrigation project postponed.[35] As had happened so often in Canada's past, private enterprise was reluctant to undertake a large development without government assistance; once again, like so many other entrepreneurs, the Galts needed some sort of government support.

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[34] Canada, Statutes of Canada, 56 Victoria, Chapter 69, April 1, 1893.

[35] James B. Hedges, Building the Canadian West: The Land and Colonization Policies of the Canadian Pacific Railway (New York: The Macmillan Company, 1939), p. 171.

The public official largely responsible for changing the government's attitude toward irrigation was William Pearce, officially the Superintendent of Mines but actually broadly in charge of western settlement. Pearce, stationed in Calgary, was an ardent advocate of western resource development who thought that the foremost problem in Western Canada, the irregularity of rainfall, could be remedied through irrigation.[36] In his 1885 report to the Department of the Interior he had already urged the government to become actively involved in extensive irrigation projects, and subsequently report after report touched on the subject. Largely because of his interest in western settlement, Pearce met C.A. Magrath and became a close friend. He also grew to admire the industrious Mormons, especially their leader Charles Card.[37] Since he believed so strongly in the necessity of irrigation, Pearce proved to be an important and influential ally in the endeavours of the Galts to bring water to large sections of their land.

At first government officials were suspicious of Pearce's suggestions. The pace of western settlement was a great disappointment to them and talk about irrigation could easily produce the rumour that the Northwest contained only arid lands, scaring away prospective settlers.[38] Consequently the government toned down all appeals for irrigation made by local boards of trade or regional officials and especially turned a deaf ear to demands for financial assistance to irrigation. It was an attitude they could not maintain for long. The prolonged drought which lingered on in southern Alberta during the late 1880s and early 1890s created the nagging fear that perhaps dryness was the prevailing feature of the south. Haunted by the spectre of failure, western settlers blamed the CPR and the Canadian government for leading them to this region and they began to agitate for relief, while further discussions on irrigation with the Mormons, notably the competent Charles Card, reduced the apprehensions of government officials. As a result William Pearce was summoned to Ottawa in 1892 to help draw up a comprehensive irrigation policy which might alleviate the hardships experienced by frontier farmers. A year later the Chief Inspector of Surveys, J.S. Dennis, was asked to study various irrigation systems in the western United States to help him make recommendations for the pending legislation.[39] An irrigation bill was presented to the House in February, 1893, but later withdrawn in favour of more pressing business, an action which greatly incensed westerners. The North West Irrigation Act was not passed until the next year when it vested all water rights in the Crown and provided for the controlled use of the water resources of the Northwest.

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[36] E. Alyn Mitchner, "William Pearce and Federal Government Activity in Western Canada, 1882-1904" (unpublished Ph.D. dissertation, University of Alberta, 1971).

[37] A cursory glance through the Pearce papers will reveal the jovial relationship among the three men, a bond which was especially close between Magrath and Pearce.

[38] Pearce was told to "deal gently with the question of irrigation" as only a small section of the Northwest could be irrigated. "At this stage of the history of the country, much harm could result

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from any public discussion which would seem to indicate that any considerable proportion of land is unfit for cultivation excepting by the aid of irrigation." University of Alberta Archives, Pearce Papers, Box 8, 3-35, Burgess to Pearce, January 21, 1891.

[39] Pearce, who also worked on the legislation, passed the proposed bill around to every westerner interested in irrigation for comment. See Ibid., Box 71, No. 22-83, Pearce to Magrath, November 23, 1893.

Meanwhile William Pearce helped to organize irrigation clubs and associations to channel the petitions for irrigation. In March, 1894, the Calgary town council and the agricultural society hosted a large convention where C.A. Magrath, as well as William Pearce, played a leading role. One result of the meeting was the formation of the South West Irrigation League which sent strongly worded resolutions to the government, asking for a comprehensive survey of the semi-arid portion of the prairies and a master irrigation plan for southern Alberta. While the government did instruct Dennis to make a preliminary survey of the water resources of the Northwest, a sure indication of the change in attitude, it refused to provide tangible assistance to any specific irrigation scheme. By the mid-1890s, therefore, an extensive irrigation scheme for southern Alberta was still impractical. Before private enterprise could be persuaded to finance such immense projects, the government had to promise some form of subsidy to virtually guarantee profits but, as long as plenty of land was available elsewhere on the prairies, politicians were unlikely to approve subsidies for irrigation in southern Alberta.

III. The Business of Lethbridge

While in the early 1890s Lethbridge was little more than a checkerboard of ungravelled streets and lanes with buildings scattered at random around the townsite, its newspaper claimed that it was "the metropolis, business centre, and distributing point for the whole of southern Alberta."[40] Even though its citizens still threw their garbage behind their houses and their ashes on the street, even though cows, chickens and even pigs wandered through the community at will, the paper claimed that within years Lethbridge would be the largest centre in the Northwest. These high hopes, shared by all its leading citizens, were based on the growth and expansion of the Galt companies. "The town," stated the *News*, "owes its origins and growth to the energy and enterprise of the 'Galt Company', the interests of the town and the Company being bound up in each other. Whatever tends to the prosperity of the company in the way of increased access to markets for coal output, will be to the mutual benefit of the town and its individual citizens."[41]

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[40] Semi-Weekly News, January 6, 1891.

The same point was made by C.A. Magrath who became, by acclamation, Lethbridge's first mayor. In his inaugural address the thirty-one-year-old mayor expressed the belief that Lethbridge would soon outstrip Winnipeg in size because a large and progressive corporation was developing its great staple product, coal. This abundant fuel, combined with the projected Crowsnest Pass railway, meant that the town would attract smelting and reduction industries, while nearby supplies of sandstone, clay and water would lure other factories as well. Magrath's speech stressed the friendly association between town and company. "It is gratifying for us, gentlemen, to know and feel that the most cordial relations exist between the Town on the one hand and the Alberta Railway and Coal Company on the other and I am sure you will agree with me in saying that we fully appreciate the efforts of that Corporation, in their wish to further with us, the best interests of the Town, and more than that we trust this state of affairs may long continue."[42] This progress, initiated by the company, was an assured part of Lethbridge's future, but it could be "accelerated or very much retarded through the measures passed by her first civic government."[43] Thus, according to Magrath, the town, like the A.R.&C.Co., required judicious and careful economic management to attract investors "to settle in our midst, and assist us building up, what nature had intended to be a large and prosperous city."[44]

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[41] Ibid., January 23, 1891.

Business or commercial standards were to be the prime touchstone for the town council. This principle was forcefully expressed by the *Lethbridge News* during the second municipal election campaign. The paper strongly supported H. Bentley because he had risen from practically nothing to become the town's leading merchant; he was a property owner and thus bound to keep taxes low; and, he was a businessman and so was interested in the prosperity of Lethbridge. "Of course," wrote the *News*, "men who have large personal interests at stake are liable to be more interested in the welfare of the town than those who have little or none."[45]

To a certain extent the editor was correct. Few of the workers equated their personal wealth with the town's prosperity; nevertheless some were interested in the community simply as a place to live. In the first municipal election two hundred miners petitioned William

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[42] City of Lethbridge, City Clerk's Office, File 1891, Inaugural address.

[43] Ibid.

[44] Ibid.

[45] LN, December 9, 1891.

Stafford, the mine manager, to run for mayor, and they gathered at a noisy Saturday afternoon meeting to nominate an entire worker's slate. While Stafford, as a non-resident, was declared to be ineligible to run, he did congratulate the workers for their display of enthusiasm and noted that such a meeting had never been possible before. The attempt to elect a workingman's council frightened the business establishment, and their candidates vigorously asserted that a labour ticket could only serve to split the town. H. Bentley, then running for councillor, deplored the clash between "citizens and workingmen" (a revealing distinction) because he felt that everyone was a worker interested in the good of Lethbridge.[46] Robbed of a strong leader, the budding local labour movement collapsed, never to reappear. Since only a few of the company's employees were both property owners and British subjects, on polling day five merchants as well as the company's telegraph superintendent, who claimed to be a worker's candidate, were elected.[47] Throughout its history the business community retained its strong voice in municipal government and the philosophy of economic expansion remained.

Since the destiny of Lethbridge was so closely tied to that of the company, the first mayor, C.A. Magrath, was a good choice. Possibly the tallest man in town, he was greatly respected because, next to Elliot Galt, he was the most influential company official residing in Lethbridge; and, as the *News* put it, he was "closely identified with all movements which wanted to advance and develop the town."[48] He ably organized the town's business, setting up the various committees, instituting a license program, and drafting the most essential bylaws. Magrath declined to serve a second term because in November, 1891, he was elected, again by acclamation, as the first member for Lethbridge in the territorial assembly. While in the legislature he strongly advocated irrigation and drafted the territory's first coal mining regulations. In both instances he served his company and constituency well; in municipal and territorial politics Magrath represented the close bond between the A.R.&C.Co. and the town.

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[46] Semi-Weekly News, January 27, 1891.

[47] Ibid., February 3, 6, 1891. Since this study is limited to Galt's role in western Canada, it cannot examine in detail the sociological and political structures of Lethbridge. It must be stated at this point, however, that this particular municipal election does not support the thesis of a conspiratorial élitist control over local politics. All that can be said at this point is that a few businessmen, professionals and company officials had the time and interest to work for the economic expansion of Lethbridge and the town council was one of the tools used to obtain this end. See Polsby, "Power in Middletown" for an excellent modification of the strict Marxist interpretation of community politics.

The town councils were not as progressive and active as had been anticipated. The first council spent the public monies carefully and made only a cautious start on the two major public works — sidewalks and fire protection.[49] Magrath's policy of prudence was continued by the second mayor, H. Bentley. While he began a tree planting program in the summer of 1893, he continued the slow pace of improvements, adding a few more sidewalks, replacing the faulty chemical fire extinguisher with a steam pump and constructing three underground water tanks —

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[48] Semi-Weekly News, January 20, 1891.

[49] See for example the discussion on the first debenture which was finally reduced from the proposed $15,000 to $10,000 for the purchase of a fire extinguisher and sidewalks. City of Lethbridge, City Clerk's Office, Minute Books, June 3, 1891. The citizens displayed their enthusiasm for civic government by a massive turnout of thirty-six voters of whom two turned down the proposal.

at strategic locations.[50] The town council was very interested in the possibilities of irrigation and in 1892 it sent to all representatives in Regina and Ottawa a resolution endorsing Galt's irrigation project, which it felt was "the means of converting a waste prairie where one settler can not now be found into a rich and populous district."[51] A year later Bentley travelled to Ottawa to talk with officials about irrigation and other public works.[52] It still was a minimal effort as the town, hampered by lack of revenues, spent its money painfully.

The refusal to lavishly promote irrigation did not reflect the town's interest in the project. If Lethbridge wanted a thriving economy, independent of the A.R.&C.Co., she first had to lay a solid financial base by attracting new industries and to do this she needed a large market as well as sufficient labour; the town's advancement, therefore, required increased settlement, and the absolute prerequisite for expanded colonization was irrigation. That the imminent prosperity of Lethbridge rested on the fate of irrigation was most clearly recognized by the *Lethbridge News* which churned out a constant barrage of editorials which urged immediate implementation of the scheme; it tirelessly argued year after year that the Canadian government and the citizens of Lethbridge should do everything in their power to facilitate the speedy execution of large-scale irrigation plans.[53]

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[50] See for example Ibid., June 5, 1893. In addition to the financial stringency, Bentley faced the problem of the rapid turnover of councillors. His first council contained three and his second five new members. The lack of continuity reflected the scant interest in local politics and it hampered the body's effectiveness.

[51] Ibid., March 30, 1892.

[52] Ibid., June 24, 1893.

[53] Andy A. den Otter, "Irrigation and the Lethbridge News," Alberta Historical Review, XVIII (Autumn, 1970), pp. 17-25.

Although the *Lethbridge News* emphatically reiterated the belief of most Canadians that private industry must finance any large undertakings, it also felt that the government should be prepared to soften the financial risks involved in experimental irrigation projects. The basic thrust of the editorials was that the federal government, as the largest landowner in the territory, had a far greater interest than any private corporation in a plan which would increase land values; therefore, the Canadian government must bear the cost of surveys and water measurements, an expensive but necessary step to prevent a costly and inefficient conglomeration of haphazardly built irrigation ditches.[54] Once the study was completed, private industry could construct the canals and other necessary works. But here too the government should provide assistance, the *News* claimed, because irrigation ditches were as essential to settlement as railway tracks. "Railway after railway may be built through a section of the country until it is covered with a network of iron rails," the paper asserted, "but the country will never be a paying speculation unless there is agricultural production."[55] Only irrigation could induce agricultural development in southern Alberta and thus it deserved assistance. Just as the state had aided railways, so it should help finance irrigation projects. Once irrigation was shown to be profitable, capitalists would invest their money and settlers would pour into the semi-arid region, adding to the general prosperity of Canada. The strident voice of the *News* was an important part of the rising public sentiment in western Canada for federal involvement in irrigation schemes.

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[54] See for example LN, November 20, 1889.

[55] Ibid., June 8, 1892.

Despite the strong expansionist sentiments promoted by the *News* and shared by the business community, by 1893 Lethbridge was little more than a coal mining and rail town, its economy still contingent on the performance of the A.R.&C.Co. In the case of Lethbridge this dependency was related directly to Galt whose presence was felt throughout the town. Everyone in the territories spoke of 'Galt Coal' and the 'Galt Company', while in Lethbridge the Galt Hospital and Galt Park were two evident symbols of the influence and good will of Sir Alexander. The town paper claimed that Galt, through political pressure, gave the town the federal land office, and that through financial influence he brought in the Union Bank.[56] As long as his health permitted he regularly visited the community and took an active interest in its affairs, ready to contribute to its charities. The economic interdependence of town and company, the mutual admiration of economic progress and growth, and the near veneration of the patriarchal Galt became crucial factors in the cordial relationship between the A.R.&C.Co. and the Lethbridge establishment.

The local paper, however, sensed a danger in this paternalistic relationship and often warned that as long as Lethbridge remained a coal town, it could never become independently prosperous. Only the settlement of its hinterland, encouraged through irrigation, could make Lethbridge an important distributing centre. The weekly urged the town not to rest in complacency but actively advertize the town, offer bonusses, townlots and tax exemptions to industries, and above all encourage irrigation.[57] Once again the expansionary vision of the Lethbridge business establishment coincided with Galt's land development plans. While at first the town council, hampered by limited funds, was a cool supporter of irrigation, when the scheme did become feasible, it granted generous assistance to bring the water to Lethbridge.

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[56] PAC, Galt Letterbook, Galt to Cutbill, July 3, 1885. Galt, who was a director of the Union Bank of Lower Canada, was disturbed about the lack of co-operation he received from the Bank of Montreal, especially regarding overdrafts, and thus he transferred the company's accounts to the Union Bank and they promised to open a branch in Lethbridge.

IV. Sir Alexander Galt

Just a few months before Sir Alexander's death, A.M. Burgess, the Deputy Minister of the Interior, wrote Galt "that it could never have been said of you, anymore than it could have been said of Sir John Macdonald himself, that your object in life was any other than the public good, with which your own interests were never permitted to conflict or interfere."[58] This statement, made by someone intimately acquainted with Galt's dealings with the government, seems oddly at variance with the legacy of Galt's activities in the Northwest. To be sure, his biographer, O.D. Skelton, essentially agreed when he wrote that in the development of Canada from an array of "scattered, struggling, backwoods provinces" into a nation, Galt took "a distinctive and essential part, a part marked by untiring effort, a high and sensitive honour, and a constructive vision...."[59] While his account does not grapple with

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[57] LN, March 23, 1892.

[58] PAC, Galt Papers, Vol. 8, Burgess to Galt, June 23, 1893.

[59] Skelton, Galt, p. 280.

Galt's personality, Skelton does leave the distinct impression that the welfare of his country was Galt's first priority. In a limited sense that is correct but, because Skelton seldom questioned Galt's motivations, the evaluation is simplistic and thus misleading. From a detailed study of Galt's work in western Canada a few observations can be made which add a deeper dimension to Galt's complex character and provide a better understanding of his role as a major figure in nineteenth century Canada, especially the Northwest.

Galt's participation in the general election of 1891 is a good illustration of the complexity of Galt's activities and motivations. The basic issue that year was Canada's relationship with the United States. The McKinley Act, which went into effect in October of 1890, established the highest level of tariffs in American history to date, especially on some agricultural products like coarse grains. The prohibitory duties created considerable anxiety in Canada, a fear compounded by the American's rude rejection of Canadian overtures for a reciprocal trade agreement. The Prime Minister's only resource was a general election in which he asked the Canadian people to reaffirm their faith in the Conservative's national policies with its British connection, and reject the Liberal's unrestricted reciprocity with its implied continental ties. Although the National Policy in many respects did not fulfill its promises, the Canadian people decidedly favoured "The Old Man, the Old Flag, and the Old Policy", and they returned Macdonald to office..

While the campaign was in progress, Galt, as a private citizen, wrote Gladstone and suggested that the McKinley tariffs were "an act of commercial war" to which Britain must retaliate by imposing duties on American produce and grains.[60] Illustrative of his concern for Canada's welfare, he sought out, while in London on a business trip, several prominent British politicians, including Joseph Chamberlain,[61] and spoke to them about the implications of the tariff. He received the distinct impression that the American policy, coupled to threatened European tariff hikes, was weakening the British stand on free trade, a feeling he communicated to Sir John A. Macdonald.[62] Upon the Prime Minister's death, Galt urged his successor, J.C.C. Abbott, to pursue closer imperial ties in order to increase Canada's trade. In addition to the economic reasons for reinforcing imperial bonds, Galt suggested that such a bold move was "the best way to neutralize the effect upon the public of the wretched scandals now disseminating at Ottawa."[63] Pragmatic politics intruded into his statesmanship but, above all, it was the entrepreneur who was promoting closer imperial ties. Galt's main argument for strengthening the ties between Canada and Britain was economic; he saw it as the means for increasing Canada's trade, and thus its prosperity.

Apart from the theoretical debates with influential politicians, Galt also made a tangible contribution to Macdonald's election campaign. He supported the Conservative platform and even thought of contesting a seat. Furthermore, he contributed $5,000 to the party and promised Macdonald the Lethbridge vote.[64] A few days before the election a large public meeting, chaired by C.A. Magrath, was held at the company's largest boarding house. One of the speakers, William Stafford, the mine manager, made it explicitly clear that, although no compulsion was to be used, the miners should vote for the incumbent Donald Davis (incidentally a director of the A.R.&C.Co.) because the company supported the Conservative cause. In the words of the *Semi-Weekly News* "The frequent outbursts of applause while he was speaking proved conclusively that the miners as a body, have more respect for the opinions of the honoured head of the colliery, who, although placed in authority over them, is in sympathy with them in every trouble, than they have for the claptrap arguments of political soreheads."[65] Those claptrap arguments referred to the Liberal's unrestricted reciprocity plank which, the *News* carefully explained in a series of editorials, must inevitably lead to annexation with the United States. The people of Lethbridge chose the Conservative option and the strong British ties which that party espoused.[66] In all the patriotic pleading, however, everyone carefully neglected to mention that over half of the colliery's production was sold in the United States.

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[60] PAC, Galt Papers, Vol. 4, Galt to Gladstone, February 26, 1891.

[61] Ibid., Chamberlain to Galt, March 10, 1891.

[62] Skelton, Galt, p. 572.

[63] PAC, Galt Papers, Vol. 4, Galt to Abbott, July 23, 1891.

Just as vote influencing was a common contemporary practice so the railway to the United States was an accepted expedient answer to a particular economic problem. Despite his strong anti-American feelings, Galt was a businessman and his pragmatic entrepreneurialism permeated all his broad conceptions; financial considerations caused him to deviate sporadically from his usual pro-British position. In 1849, at the time he was building the Portland railway, he signed the Annexation Manifesto because he felt that Britain had abandoned her colony whose future, in terms of potential trade and wealth, now lay within the continental framework. Similarly, in 1858 economic considerations dictated a protective tariff against Britain as well as the United States and, in the 1860s and 1870s, he sought a diplomatically independent Canada to facilitate economic expansion through increased trade with European countries. Throughout this later period he feared closer ties with the United States because the more affluent and powerful American companies might annihilate, similar but smaller, Canadian ventures; he, therefore, proposed greater inter-imperial trade through preferential tariffs. But in 1885, when his colliery faltered, he immediately put into motion plans for a railway to the United States. Thus, by using the criterion of profitability as the prime principle, these decisions were not vacillations from his general policy — the economic prosperity of Canada, or more specifically, the welfare of the country's commercial and business firms, including his own.

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[64] PAC, Macdonald Papers, Vol. 220, Galt to Macdonald, February 7, 1891. Galt added, "Of course you know I could not do anything on behalf of the company - as such matters cannot be talked about."

[65] Semi-Weekly News, March 3, 1891.

[66] Ibid.

The principle of profits also loomed large in Galt's broad expansionary schemes. Six years before Confederation he devised a grant design for the economic and political union of the British American colonies and, twenty years before the Conservatives adopted the National Policy, Galt sketched the rough outlines of an interchange of products among the isolated colonies, facilitated by canals and railways, and protected by high tariffs. Later in the 1870s, in reaction to American expansionism, he extended this concept to the broad spectrum of the empire and called for a federated imperial parliament and preferential trade agreements.[67] In all these grandiose plans the key element was the Northwest for, as early as 1858, Galt had clearly recognized the tremendous potential of the vast mineral and soil resources of the great plains, foothills and mountains. The western territories, which could make Canada a great and wealthy nation, became an indispensable part of his confederation proposals and an integral feature of his imperial system. Within the large context of political and economic unity, the imperial government could finance the Pacific railway as well as the transfer of people from an over- to an under-populated part of the empire. The basic goal of Galt as High Commissioner was the development of the Northwest as one way of attaining the prosperity of Canada and its business community.

As much as Galt desired the prosperity of Canada, so he toiled for his personal profits. In modern eyes such mixed aspirations are suspect but Galt openly entered politics as a necessary adjunct to his business career, although he later remained in office at the expense of his personal wealth. Nowhere is this strange amalgam of public and private motives as evident as in his western endeavours. While he was High Commissioner in charge of western development, he actively sought funds to open his own coal mine. He utilized his intimate friendships with high ranking officials to wring every possible concession from the government; while his applications for public assistance always strongly stressed the benefit of the project to Canada, they merely implied that capitalists, himself included, needed an assurance of high profits before they supplied the funds to exploit western resources. It was a circular argument but nevertheless broadly accepted at the time. Similarly some of his activities, while questionable, were never hidden. While the generous subsidies gave him an unfair advantage over other western colliers, the land grants were discussed openly and approved by Parliament. Galt lived comfortably within the spirit of late nineteenth century Canada when public and private business were closely linked and the Conservative administration was rocked time and again by scandals. He was never tainted by these affairs and no systematic deception nor outright wrongdoings can be traced to him; nevertheless he was a very important government official working on western Canadian development who at the same time profited from land speculation and designed his colliery and colonization projects primarily to yield maximum gains. Galt, as entrepreneur and civil servant, easily equated the good of Canada with the welfare of his enterprises.[68]

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[67] While Galt discussed imperialism from a commercial viewpoint, his nationalistic sentiments coincide with those of the intellectuals discussed by Carl Berger, The Sense of Power: Studies in the Ideas of Canadian Imperialism, 1867-1914 (Toronto: University of Toronto Press, 1970).

Flagrant dishonesty was not in harmony with Sir Alexander's religious convictions. While he was not a great churchman, he was deeply religious. He faithfully taught his children about God and the Christian values of honour, uprightness and generosity. Before embarking on any voyage he always assembled his family to pray for God's blessings on his ventures;[69] the private correspondence with his wife indicates that he usually sought divine guidance in crucial decisions. But the strong moral sensitivity and warm compassionate understanding taught by his faith did not extend far into the secular business world where the sharp dealer was admired, maximum profit was the prime criterion, and poor management was immoral. Using these standards he could cripple the Grand Trunk with exorbitant terms in the 1853 negotiations; he could ask for more land subsidies in the Northwest than he needed; and he could summarily fire all his employees and import cheaper labour whenever colliery profits declined. In this respect too Galt lived well within the accepted ethical norms of the late nineteenth century business community.

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[68] John William Michael Bliss, "A Living Profit: Studies in the Social History of Canadian Business, 1883-1911" (unpublished Ph.D. dissertation, University of Toronto, 1972), p. 271, discusses the sense of mission which Canadian businessmen felt. "There was no contradiction between production for social utility and production for private profit."

In his last years Sir Alexander was often confined to his bed and in the summer of 1893 he lost his voice. A friend noted that it had been "a voice that so often charmed and convinced Parliament and the people of Canada on questions of grave public import."[70] Persuasive speech was Galt's greatest asset and, backed by a clear analytical mind, his voice gave him power over people. His daughter recalled that whenever Galt was among company, he dominated them with quiet, charming assurance. In family life he demanded instant and total obedience yet his children adored him and looked forward to the times he told them tales of Greece and Rome or about his early life in Canada.[71] His soft voice, enriched by a pleasant Scottish burr, supported by the skill of explaining complex ideas in simple terms, impressed his listeners. His cogent arguments had swayed the suspicious Maritimers to enter Confederation. The infectious enthusiasm with which he promoted his imaginative schemes won over many reluctant investors. He knew how to handle people and he deftly led them through complex and boring negotiations, adroitly circumventing the obstacles and ingeniously compromising the difficulties. This ability to recognize opportunities for profit and sell them to capitalists made Galt a great entrepreneur.

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[69] Evelyn Cartier Springett, For My Children's Children (Montreal: Unity Press, 1937), pp. 18-19.

[70] PAC, Galt Papers, Vol. 8, Supplemental, Burgess to Galt, June 28, 1893.

After a summer of illness Galt died on September 19, 1893, at his Montreal home on Mountain Street. A few weeks before the end he wrote on the fly leaf of a book,

> I have much to be thankful for, a long life with many blessings, and I try to accept God's will as my most supreme comfort. No one could have had greater blessings in his family than myself. I do not pray God to prolong my life, but only to support and strengthen me and to let my departure be tranquil.[72]

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[71] Springett, Children's Children, p. 20.

[72] Cited in Skelton, Galt, p. 279.

PART FOUR

CHAPTER NINE

EPILOGUE: FURTHER EXPANSION

I. The Coal Mines

Sir Alexander Galt's death did not end the developments he had initiated in southern Alberta. On the contrary, his son Elliot assumed the entrepreneurial role and he vigorously expanded the Lethbridge enterprises. Although shy by nature, Elliot Galt had inherited his father's keen sense for profit, his ability to conceptualize grand schemes and his power to sway investors and government officials. While he was more western in his orientation than the elder Galt, he still drew his financial support from central Canadian and British sources; from Lethbridge he guided the expansion of the colliery so that by 1912 it was one of the largest operations in Alberta. His greatest contribution, however, was the implementation of the irrigation project conceived during his father's lifetime. Since Elliot Galt completed Sir Alexander's work, the various projects and their impact upon Lethbridge merit a brief overview.

By the mid-1890s the A.R.&C.Co. had reached a plateau in its development, a lull caused by financial difficulties. The company had accumulated debts amounting to £150,000 and had failed to meet dividend payments on its shares and interest charges on a large first mortgage. In addition the Canadian Life Assurance Company, which had paid for the widening of the Dunmore-Lethbridge railway, had taken financial control over the line in order to regain its investment. A prolonged series of negotiations achieved the refunding of all the company's encumbrances,[1] attained largely through the security of the large land grant. The firm also gained considerably liquidity by selling the Dunmore line to the CPR in 1897 for $976,590.[2] The refinancing scheme allowed the company to expand once the great land rush began in western Canada at the turn of the century.

A complex series of events and factors led to the revival of interest in the Canadian West. The spectacular gold discoveries in South Africa were partially responsible for halting the decline in American wheat prices which rose steadily from 1893 on. At the same time free land in the United States ran out and settlers began to look to the Canadian Northwest. Agriculture was made profitable here with the introduction of dry-farming techniques which were well suited for wheat production. The recently evolved network of railways, elevator facilities and large grain ships made possible the rapid transportation of bulk wheat shipments overseas. Grain suddenly became Canada's great staple commodity and its western lands began to attract farmers. Aided by the new era of optimism and economic buoyancy, the Canadian government revamped its immigration program and successfully attracted hundreds of thousands of American, British and European immigrants every year. As the trickle of settlers swelled to a flood, western Canadian development again attracted foreign developers.[3]

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[1] The financial details are contained in the legislation which permitted the company to refund its debts. See Canada, Statutes of Canada, 59 Victoria, Chapter 45, June 28, 1895.

[2] Canadian Pacific Railway Company, Annual Report, 1897 (Montreal: n.p., 1898), p. 6. Considering that the road cost over $700,000 to build and $200,000 to widen to broad gauge, the A.R.&C.Co. did not realize a fabulous profit, but then one would not expect it to since it was dealing with Van Horne.

The western Canadian coal industry expanded along with the rapid increase in population, and the Lethbridge collieries shared in this development. Their output increased from 103,400 tons in 1894 to 168,300 tons in 1898; production remained relatively stable until 1903 when it rose to well over 200,000 tons, a performance bettered every year until 1906 when a strike closed the operation for nine months. The next year the mines extracted a record quarter of a million tons of coal.[4] The increased demand for fuel prompted the company to build a new mine two miles north of the No. 3 colliery. The new shaft, No. 6, over three hundred feet deep, was completed by the end of 1908 and helped push production to over 330,000 tons by 1912.[5]

Despite the increased market for coal, the A.R.&C.Co. did experience considerable difficulties. Its mine manager, P.L. Naismith, outlined one of the problems.

> The coal mining industry in the North West Territories has been a struggling one for years. Owing to the sparsely settled conditions of the country and the absence of manufacturers the market is a

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[3] Arthur S. Morton, History of Prairie Settlement, Vol. II of Canadian Frontiers of Settlement, ed. by W.A. Mackintosh and W.L.G. Joerg (Toronto: The Macmillan Company of Canada Limited, 1938), pp. 96-115.

[4] Alberta, Department of Mines and Minerals, Mines Division Records, File 13003, Annual Returns, 1894-1912.

[5] Ibid., Inspector's Report, June 24, December 21, 1908.

> very intermittent one.... Outside the coal used by the railways, practically all the rest goes to supply the domestic trade.[6]

According to Naismith, the seasonal market for domestic coal, which peaked in the winter but slumped badly in the summer, hurt the efficiency of the colliery because costly machinery stood idle in the off season, while in the winter the company could hardly meet demand because of the scarcity of labour. "The country was scoured from the Coast to Winnipeg," he wrote, "and in many cases, in order to procure the men, this company had to pay their railway fare to Lethbridge."[7] In addition to the fluctuating market, the A.R.&C.Co. encountered serious competition which arose because too many promoters tried to take advantage of the rapid rise in fuel consumption caused by the great influx of settlers. The CPR extension through the Crowsnest Pass late in the 1890s permitted the establishment of several collieries whose superior product largely replaced that of Lethbridge on the CPR prairie lines.[8] The western settlement boom also stimulated mining operations near Banff and the construction of two new transcontinental railways opened the coal seams further north in the Brazeau and Yellowhead regions. At the start of the First World War virtually all the major steam coal producers, as well as the domestic mines in the Edmonton, Drumheller and Taber fields, were well established. Within a decade an industry, too large for its market, had arisen and the Lethbridge collieries suffered accordingly.

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[6] Ibid., Naismith to Dennis, April 6, 1900.

[7] Ibid.

[8] Ibid., Inspector's Report, July 10, 1902. The inspector wrote "It is rather to be deplored that the outlook for a large production from this mine [A.R.&C.Co.] is not very bright.... There is no doubt that the mines must suffer from the large development in the Blairmore District as the coal from that point on is a much superior Steam Coal, the Lethbridge Mines have much to depend now on the Domestic sales which are much larger in the winter months."

The highly competitive market brought the company into conflict with its workers. In 1894, for instance, the A.R.&C.Co. locked out nearly six hundred miners and called for a seventeen percent wage cut. Only the personal intervention of Captain Deane of the North West Mounted Police on the side of the workers prevented an outbreak of violence, and through his mediation the strike was settled.[9] The miners organized their own local union and through a number of minor strikes gained considerable strength. A serious disruption occurred in 1906 when the company refused to recognize the United Mine Workers of America as the workers' new bargaining agent. The work stoppage, which lasted from March to December, caused a critical domestic coal famine in the prairie provinces, especially in Saskatchewan whose premier travelled to Ottawa to request emergency legislation. With the help of W.L. Mackenzie King, then working for the federal Department of Labour, the dispute was settled; the miners achieved higher wages but not union recognition nor the check-off. A further result of the strike was the passage of the federal Industrial Disputes Investigation Act which permitted the government to intervene in industrial conflicts.[10]

In 1912 the Galt collieries were sold to the Department of Natural Resources of the Canadian Pacific Railway. Although the name remained synonymous with the Lethbridge works and their product, after thirty years of activity the Galts were no longer involved in western Canadian coal mining. The CPR took over during a difficult time in the collieries' history as the mining industry in Alberta was overdeveloped and thus highly competitive. High transportation costs prohibited sales east of Winnipeg, while tariffs prevented any significant shipments to the United States, limiting the collieries to a regional market, a situation which plagued the Alberta coal industry until its decline in the late 1950s.

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[9] PAC, RCMP Records, (RG 18, A-1), Vol. 91, No. 148, Lethbridge Weekly Report, February 28, 1894; and Lethbridge Monthly Report, March 31, 1894.

[10] Jamieson, Times of Trouble, pp. 127-128.

II. Irrigation

At the same time that Elliot Galt was directing the expansion of the Lethbridge collieries, he worked on the sale of the company's land grant. By the mid-1890s it was evident to him that the A.R.&C.Co.'s holdings were not attracting ranchers, and thus he turned to irrigation as a means of attracting farm settlement. As a result, the need to earn a profit compelled him to convert the semi-arid ranching country into irrigated farm lands.

Apart from the lack of funds, the previous irrigation plans had failed because of the manner in which the A.R.&C.Co. held its lands. As compensation for their semi-arid character, the government had granted the railway lands in alternate townships which, while convenient for ranching, proved to be unsuitable for irrigation because any canal had to traverse crown, school and private as well as company lands, doubling construction costs and inflating land values at company expense. To make the project feasible, the A.R.&C.Co. had to have its land in one large, solid block. Elliot Galt, therefore, approached the government late in 1895 to seek approval for a land exchange to create a solid unit of land south of Lethbridge. After lengthy consideration the Minister of the Interior, T. Mayne Daly, agreed that "the tracts to be irrigated must be defined with relation to the physical configuration of the country, and cannot be governed by the rectangular sectional system of survey."[11] Since the principle of land consolidation had been applied to settle the CPR subsidy, the Minister of the Interior argued that it could be extended to the A.R.&C.Co. as well. The cabinet agreed and permitted the company to hold a million acres of land in an unbroken triangle bounded on the west by the St. Mary's and Belly rivers and on the east by the A.R.&C.Co.'s Montana railway. The government did make it clear, however, that it was not prepared to grant financial assistance to any irrigation project as long as more humid lands remained elsewhere.[12] A few months later the government also renewed the Alberta Irrigation Company's charter authorizing it to build an irrigation canal to be completed within ten years.[13] All that remained for Galt and Magrath was to seek the necessary capital to implement the irrigation scheme.

After 1896 a number of circumstances removed the financial impediments which had blocked the project thus far. A feasibility study conducted in 1897 by G.G. Anderson, an irrigation engineer, proved it practical to divert the St. Mary's River for irrigation purposes. The completion that year of the CPR's Crowsnest line opened up the mining centres in the interior of British Columbia to Lethbridge agricultural products. The Liberal election victory in the same year saw the emergence of Clifford Sifton as the new Minister of the Interior. Sifton strongly believed in the worth of irrigation and in an interview with Magrath promised to forgive the survey dues on the lands affected by the scheme, a total of over $48,000.[14] In addition the CPR agreed to pay the irrigation company a subsidy of twenty semi-annual instalments of five thousand dollars.[15] Meanwhile Galt and Magrath conducted intensive negotiations with the Mormons at Salt Lake City and worked out a suitable arrangement. The Church of the Latter Day Saints promised to supply all the labour to dig the canals in return for a payment of one-half in cash and one-half in land, the land with water rights being valued at three dollars an acre, to a total of $75,000 and 25,000 acres. The properties were to be in two large tracts with their centres twenty and thirty-five miles from Lethbridge, each supporting a hamlet of about fifty families recruited by the Mormons.[16] With all these factors coinciding with the general economic revival, Elliot Galt convinced the London capitalists to finance the $600,000 project. During the final negotiations the Alberta Irrigation Company was dissolved and reincorporated as the Canadian North-west Irrigation Company, the firm in charge of the financial arrangements and the construction work.[17]

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[11] Canada, Order in Council, January 18, 1896 bears the attached memorandum by Daly, misdated November 16, 1885 instead of 1895.

[12] Ibid.

[13] Canada, Statutes of Canada, 59 Victoria, Chapter 44, April 23, 1896.

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[14] Magrath recalled that he was surprised at Sifton's quick decision to forgive the company's survey debts and he wrote "It is but fair to say that the impetus given to irrigation development in southern Alberta came from Clifford Sifton." Magrath, The Galts, p. 15. The remittance of the survey dues was officially approved by the cabinet in 1898. See Canada, Order in Council, January 6, 1898.

[15] Hedges, Building the West, p. 137.

[16] Canada, Order in Council, January 6, 1898. The contract is attached to the order.

Once the funds were assured, work could begin, and on August 26, 1898, Charles O. Card plowed the first furrow for the ditch. The plans called for the canal to be dug from a point close to the international border, angle northeastward and pass close by the present-day towns of Magrath and Stirling to terminate near Lethbridge. Such a long canal was necessary because the St. Mary's River ran three hundred feet below the levels to be irrigated; to spare the cost of pumping stations the company placed the water intake at an upstream site which lay above the level of the lands to be watered. It was a gigantic undertaking: no steam shovels nor dredges were used, but several hundred men with teams of horses moved well over a million cubic yards of dirt; the project also consumed over a million board feet of lumber for the various structures like sluiceways, gates and several buildings.[18] By the end of August, 1889, only three miles of construction remained between the two new hamlets of Magrath and Stirling; although some four hundred men were still at work, many sub-contractors had quit in order to put up hay for the winter months. The two Mormon settlements were no more than small tent towns, with some families even housed in dugouts.

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[17] Canada, Statutes of Canada, 62-63 Victoria, Chapter 93, July 10, 1899.

[18] GAI, Sam G. Porter and Charles Raley, "A Brief History of the Development of Irrigation in the Lethbridge District" (typewritten manuscript, Lethbridge Public Library, 1925), p. 18; Melvin S. Tagg, "A History of the Church of the Latter-Day Saints in Canada, 1830-1963, p. 179.

Lumber was too scarce, and the men too busy earning money and land on canal labour, to build homes.[19] The next spring construction was resumed and the canal completed. On July 4, 1900, G.G. Anderson wired Magrath, "Main Canal is completed. I will turn the water on in an hour and will report day by day."[20] Later in the month water flowed into Lethbridge and in September the canal was opened officially by Governor General Lord Minto. In two years the workers had excavated 115 miles of canals including the thirty-two mile Lethbridge and twenty-two-mile Stirling branches.

With the completion of the canals the North-west Irrigation Company was ready to sell its lands to prospective settlers. It embarked upon an extensive advertising campaign in eastern Canada, the United States and Europe. The company published several brochures one of which labelled southern Alberta as the "Golorado of Canada" and included a testimonial from a prominent Mormon leader, Levi Harker, boasting of the fabulous yields possible on irrigated lands.[21] The firm also advertised at the Stockmen's Convention in Salt Lake City, sent photographs to European exhibitions and, with the Lethbridge town council, subsidized the local Presbyterian pastor, Charles McKillop's publicity trip to Ontario.[22] The federal government helped by preparing a special pamphlet many of which were distributed at the Pan-American exhibition.[23] The *Winnipeg Free Press* and the *Montreal Herald* were only two of the many newspapers which featured stories on the irrigation project. All this promotional literature stressed the certainty of good crops with irrigation, for as one tract said, "The farmer is in fact his own rainmaker."[24]

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[19] Cardston Record, August 25, 1899.

[20] GAI, Charles Raley, "A Scrapbook Compiled in the Office of the Alberta Railway and Irrigation Company, 1896-1956," Anderson to Magrath, July 4, 1900.

[21] GAI, L.P. Burns, "The Alberta Railway and Irrigation Company, 1893-1946," History of Irrigation in Western Canada, History of Agriculture (A Glenbow Foundation Research Project, Typewritten), (Hereafter cited as Burns, "AR&I Collection"), Canadian North-West Irrigation Company, The Colorado of Canada, Irrigated Lands, Southern Alberta (n.p., 1900).

Ironically no one needed a rainmaker. Simultaneously with the commencement of the irrigation works, the region experienced one of its wet spells. In 1898 and 1899 the countryside nearly drowned under torrential rains and floods; the deluge turned creeks and coulees into raging rivers and badly eroded the freshly dug canals. One settler wrote,

> On June 17th [1899] rain fell and soon became a deluge and for two weeks it poured without stopping. The canvas of our tent could no longer shed the water and it poured through [onto] the beds and all despite the tubs, pans and all else used to try and stay it.[25]

In 1902 three rainstorms swamped southern Alberta and washed out large portions of the canal system, disabling the entire system. Prospective land buyers were apt to remark that the company should have built drainage rather than irrigation ditches. Sales were extremely slow and by the end of December, 1901, the company had signed only 145 water agreements of which many were only partial users because of the heavy rains.[26] The intermittent wet years in the usually semi-arid territory retarded the agricultural development of southern Alberta for several years; all that was needed to establish irrigation was the more usual dry spells such as the one that had prompted the government to initiate the water surveys six years earlier. When such a dry period came, the area was quickly settled.

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[22] GAI, Raley, "AR&I Scrapbook," contains clippings from several newspapers in which McKillop inserted articles on Lethbridge.

[23] GAI, Burns, "AR&I Collection," July 30, 1900.

[24] GAI, Canadian North-west Irrigation Company, Irrigated Lands in Southern Alberta (Winnipeg: Storel Co., 1900).

[25] GAI, Anna Brandley Ostlund, "Theodore Brandley" (Typewritten, 1960).

The Canadian North-west Irrigation Company continued to inject more money into the sluggish regional economy. In 1901 the firm assisted Jesse Knight, a wealthy Mormon from Utah, in financing a sugar beet factory at Raymond. Knight bought 60,000 acres of land in and around the town for two dollars an acre and secured an option for an additional 200,000 acres. Late in the summer of 1901 he employed eighty teams of horses simultaneously to plow 3,000 acres in preparation for the following year's seeding. The sugar factory commenced production in 1903 and operated successfully for several years but due to lack of sugar beets it ceased work in 1917.[27] Elliot Galt also incorporated the St. Mary's River Railway Company which built a rail line running forty-seven miles southwest of Stirling to Cardston.[28] Even though there was hardly a shack along the line, Galt felt that the road, completed in 1902, was necessary to furnish an easy access to the irrigated lands.

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[26] GAI, Burns, "AR&I Collection," December 28, 1901.

[27] GAI, Porter and Raley, "Development of Irrigation," p. 26.

[28] Canada, Statutes of Canada, 63-64 Victoria, Chapter 79, June 14, 1900. The incorporators were a relatively local group and included E.T. Galt, C.A. Magrath, P.L. Naismith, W.M. Ramsay and Alexander Ferguson.

Elliot Galt and Charles Magrath had taken full advantage of the region's natural features to bring water to the company's semi-arid land grants. Encouraged by government incentives they built the irrigation works, advertized for settlers, and constructed a railway as well as reception centres and towns to accommodate the immigrants. Through several years of persistent efforts, these two men transformed their properties from dry, short-grass plains to attractive, fertile farm lands. As a result, the lands, which they acquired as railway subsidies, greatly increased in value and began to yield the high returns which Sir Alexander Galt had promised fifteen years earlier. At the same time they proved that irrigation was feasible and thus other companies were quick to follow. Within years the CPR began to irrigate large portions of its holdings. The Canadian North-west Irrigation Company, by completing the first major irrigation project on the Canadian prairies set an example for others to follow.

III. The Fourth Land Subsidy

Soon after completing the first stage of the irrigation scheme, Elliot Galt began the work of expansion, a project liberally subsidized by the federal government. As early as March, 1900, he applied for government approval to direct waters through various coulees along the water route, and two years later he received permission to reinforce the St. Mary's system by diverting water from the Belly and

Milk rivers.[29] The government, which by this time was fully convinced of the merits of irrigation, provided handsome support by permitting the company to consolidate another 360,000 acres of land so that virtually all its holdings were in one solid unit south of Lethbridge. The cabinet also forgave the company the survey dues on an additional 320,000 acres, bringing the total reimbursement to $80,000. Thirdly, it sanctioned the surrender of over 22,000 acres which the company considered too far removed from its other properties. Although the company had paid only ten cents an acre for this land, it was redeemed for three dollars an acre.[30] Lastly, the government provided a fourth land subsidy to the Galt company.

The cabinet authorized this fourth land subsidy in December, 1902. Under the agreement the government sold the Canadian North-west Irrigation Company half a million acres of land, directly south of Lethbridge and adjoining the consolidated land grant, for three dollars per acre. The federal government allowed the company a credit of $300,000 for irrigation works already completed and a further credit of $700,000 on account of the cost of constructing new facilities, the remainder of $500,000 was to be paid in ten equal instalments at five percent interest with the first payment not due until December of 1907. Any unsold lands after fifteen years were to revert to the Crown.[31]

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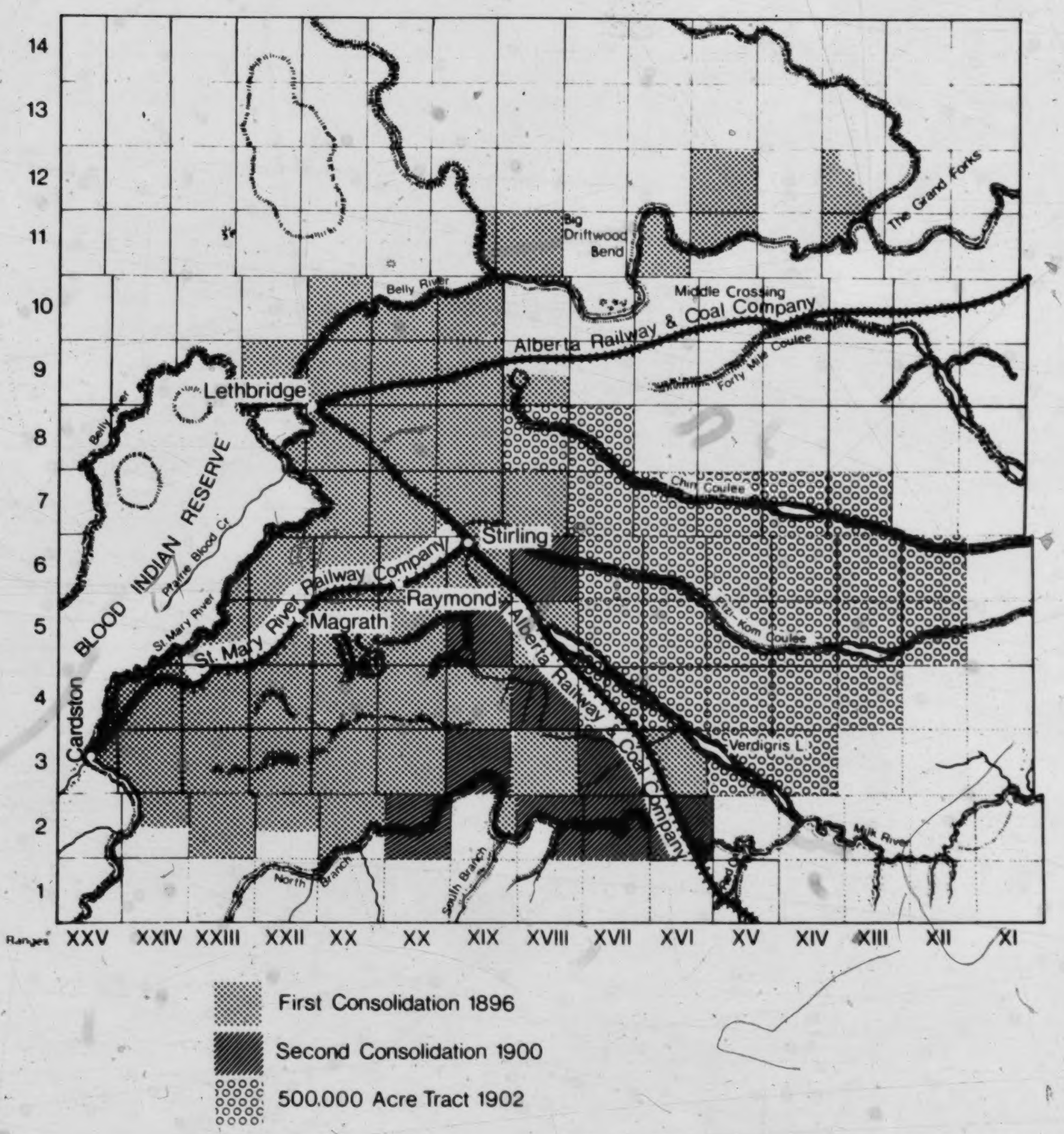
[29] GAI, Burns, "AR&I Collection," Memorials, Canadian North-west Irrigation Company, March 15, 1900, September 9, 1902.

[30] Canada, Orders in Council, August 17, 25, 1900; April 20, 1905.

[31] The credits were calculated at sixty cents per acre for work already completed and $1.40 per acre for new construction. Ibid., December 12, 1902.

GALT LAND HOLDINGS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XII
XI
The Grand Forks
Big Driftwood Bend
Belly River
Middle Crossing
Alberta Railway & Coal Company
Forty Mile Coulee
Lethbridge
Belly River
Chin Coulee
BLOOD INDIAN RESERVE
Prairie Blood Cr.
Stirling
St. Mary River Railway Company
Raymond
St. Mary River
Magrath
St. Mary River
Etz-Kom Coulee
Alberta Railway & Coal Company
Cardston
Verdigris L.
Milk River
North Branch
South Branch
First Consolidation 1896
Second Consolidation 1900
500,000 Acre Tract 1902

While the various subsidies were not as generous as those extended to the colonization railways, company officials, through literal interpretations of the contract, managed to win several lucrative concessions which were outside the spirit of the agreement.

Even though the company did spent $250,000 on a canal to divert waters from the Milk River to the southern portion of the newly acquired properties, the project was soon abandoned because an international controversy over the water rights of the St. Mary's and Milk rivers made the future supply of water uncertain.[32] Undaunted, the Canadian North-west Irrigation Company spent the remainder of its credits on improving and extending the existing Lethbridge system. The company simply sent in statements on the monies spent, and they were honoured by the government. The Deputy Minister of the Interior explained that there was "nothing in the agreement requiring the company to build canals to serve any described tract nor to irrigate any specified portion of the tract sold."[33] As a result of the strict interpretation of the contract the company was able to buy half a million acres of land cheaply and sell off portions at the government maximum ceiling of five dollars an acre without irrigating any of it. The credits were used to improve the existing irrigation system which served the lands received earlier as railway subsidies. Just prior to the First World War the company was selling these properties at fairly high prices; in the Magrath district, for example, land with water fetched forty dollars an acre.[34]

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[32] Although the Canadian government gave the company the right to divert the entire flow of the St. Mary's and Milk rivers, the source of both was in the United States. The Milk River, furthermore, returned to the United States after a two-hundred-mile flow through Canada. When Montana decided to divert part of the Milk River, the Alberta scheme could not be implemented. Negotiations were carried on for a number of years but a satisfactory division of water was not made until 1921.

[33] GAI, "Documents relating to the Alberta Railway and Irrigation Company, 1902-1919. Copy of Data from the Files of the Department of Land and Mines," Drake to Campbell, April 14, 1910 (Hereafter cited as AR&I Documents). For a summary of the expenditures made by the AR&I see Keyes to AR&I, March 7, 1908.

In 1904 the Canadian North-west Irrigation Company merged with its sister firms the Alberta Railway and Coal Company (A.R.&C.Co.) and the St. Mary's River Railway Company to form the Alberta Railway and Irrigation Company (AR&I). Among its directors were Elliot Galt, William Burdett-Coutts, John Galt and William Ramsay. Its land commissioner was C.A. Magrath and its financial agent was A.M. Nanton.[35]

The newly established AR&I continued the expansion plans. By the spring of 1906 the system included a nine mile canal northward from Lethbridge and a shorter one to the east. Three large crews with teams and steam dredges were at work that summer enlarging the main canal to twice its former capacity. The newly appointed federal Commissioner of Irrigation, John Stewart, noted that all along the canals there was much seeding and planting activity; he wrote "I might add I travelled all through this section of country some twelve years ago when there were no settlers between Lethbridge and Cardston — now it is not only settled but towns grown up where there was nothing at that time but a few scattered cattle on the prairie, and it seems to be that this irrigation scheme is the cause of all the improvement that has taken place in that time."[36] Between 1902 and 1911, the Galt interests spent more than a million dollars on new construction work and at the end of the period the network of canals and laterals totalled about 290 miles, irrigating about 47,000 acres for 750 farmers.[37] By 1911 the system had reached maturity and the AR&I never again spent that much money in a single decade.

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[34] Ibid., pp. 2-3.

[35] Canada, Statutes of Canada, 4 Edward, Chapter 43, June 6, 1904.

Early in 1912 the administration of the AR&I was transferred to the CPR which was itself actively engaged in irrigation elsewhere in southern Alberta. While the CPR was the major stockholder in the AR&I and its land branch managed the irrigation company's affairs, the two firms retained their separate corporate identities. The manager of the AR&I, however, did become the manager of the land branch of the CPR's natural resource department.[38] The transaction spelled the end of an era in southern Alberta because after thirty years of activities, the Galts were no longer in control of the economic development of the area. This economic power fell to the CPR.

The change in management also included the AR&I's 500,000 acre tract of land, a questionable part of the transaction because the companies violated the spirit of the contract and in so doing earned substantial profits. At the termination of the agreement the AR&I had paid about $487,000, including interest, for almost 465,000 acres of land which it could sell for a maximum price of five dollars per acre.[39] The entire tract could thus conceivably generate nearly two million dollars in profits. Since total construction costs from 1902 to 1917 totalled 1.5 million dollars, the profit from these land sales easily covered capital expenditures. Although maintenance costs throughout this period exceeded revenues, the AR&I was also selling its railway land grants. While there are no records available to determine the exact extent of the profits, it is evident that after 1900 the Galt concerns began to earn dividends on their extensive investments.[40]

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[36] GAI, Burns, "AR&I Collection," Stewart to the Department of the Interior, May 3, 1906.

[37] Ibid.

[38] Ibid., Peters to Pereira, April 13, 1912.

The 500,000 acre tract of land, in fact, earned more profits than had been intended because much of the land was sold to the CPR. In 1917, on the fifteenth anniversary of the agreement, the AR&I had not sold all of the property and the surplus should have reverted to the Crown; instead the AR&I disposed of it to one large buyer — its parent company, the CPR. While E.F. Drake, the federal Superintendent of Irrigation, questioned the ethics of the transaction, he did concede "So far as I am aware, there is no way in which the Government can prevent a so-called sale of these lands by the Alberta Railway and Irrigation Company, but the direct transfer from the original company to the controlling company strikes me as being rather crude."[41] The Deputy Minister of Justice, E.L. Newcombe, agreed and also pointed out that once the land was sold the CPR was no longer bound by the maximum selling price of five dollars set by the government but that it could charge all that the market could bear.[42] The CPR justified its position by assuring the Department of Justice that it was merely the largest stockholder in the AR&I and that the two firms had separate corporate identities.[43] Since the CPR was legally correct, Newcombe decided that the Department of the Interior could not stop the sale of the AR&I lands to the CPR.[44]

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[39] When the AR&I was not permitted to buy the school lands within the 500,000 acre tract, a ten year wrangle ensued in which the company sought compensation for the credits it could not earn without these properties, a squabble illustrative of a petty concern for profit. See GAI, AR&I Documents.

[40] See Appendix III.

[41] GAI, AR&I Documents, Drake to Cory, May 22, 1917.

James B. Hedges, in his discussion of this transaction, comments that the companies violated the spirit of the agreement, but, because they carried out the settlement obligations, they "did a valuable work."[45] His assessment echoes that of the Liberal government which virtually wanted two farmers for every section of prairie land and was prepared to subsidize the heavy cost of irrigation just as it was generously assisting two transcontinental railways. In this respect Prime Minister Laurier differed little from his predecessor. As a result of this policy, the public paid an extravagant price to convert a region perfectly suited for ranching purposes to agricultural lands primarily to satisfy the government's desire for settlement and the AR&I's quest for profits. The company, on its part, fulfilled the wishes of the administration and, through literal interpretations of its agreements, took full advantage of the government's generosity to make substantial gains.

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[42] Ibid., Newcombe to Beatty, July 7, 1917.

[43] Ibid., Beatty to Newcombe, July 13, 1917.

[44] Ibid., Newcombe to the Department of the Interior, November 27, 1917; Cote to Cory, December 4, 1917.

[45] Hedges, Land Policy, p. 122.

IV. Lethbridge from 1894

Elliot Galt's endeavours in the areas of mining and irrigation had a considerable impact upon the town of Lethbridge, but not to as large an extent as the community's leaders had expected. The rapid expansion of the company's activities and the phenomenal growth of western settlement had a psychological impact upon the business establishment which spawned unrealistic hopes and policies. The exuberant spirit of economic progress also touched the Lethbridge municipal council and it joined the wild scramble for a share in the booming prosperity. In this it was not alone as town councillors throughout the Northwest, caught up in the exhilarant spirit of economic progress, abandoned their cautious fiscal policies and wantonly borrowed funds for lavish public works and for bonusses to attract industries to their communities.

In the late 1890s irrigation and railways were still the prime objectives for Lethbridge's expansionary urge because both endeavours promised to lessen the town's dependency upon the coal mines. Harry Bentley spent several months in Ottawa during the summer of 1897 successfully lobbying the government to require the CPR to commence its Crowsnest Pass route at Lethbridge.[46] A year later the town council reacted quickly to a Board of Trade petition for a substantial bonus to the AR&I to extend its canal into Lethbridge itself. Both Elliot Galt and Charles Magrath met with town officials and worked out the details which were presented to the public for approval during the next summer. While it was by far the largest single expenditure to date for the community, the voters overwhelmingly authorized the council to issue a $30,000 debenture to be held by the AR&I for delivering water to 20,000 acres of land in and around Lethbridge.[47] The citizens obviously believed that the cost was merely a safe investment in future prosperity.

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[46] City of Lethbridge, City Clerk's Office, Railway File, 1897.

The *Lethbridge News* expressed this sentiment in several editorials which urged its readers to support the bonus by-laws. It emphasized the wealth that irrigation was certain to bring to Lethbridge and make it "the commercial and industrial centre of southern Alberta."[48] Irrigation, so the *News* wrote at another time, would transform the entire character of the region.

> Where in the past roamed a few herds of cattle over the boundless expanse of prairie, will be found the homes of thousands of prosperous settlers, with well-tilled and fenced fields, stacks bulging with the fatness of the harvest, cattle lowing in the pastures.... From a shadeless town in the midst of a shapeless and comparatively barren prairie, we shall now have at our doors the only necessity wanting for transforming it into a place of beauty and a haven of rest such as only the presence of trees and the rustle of foliage can afford.[49]

Thus irrigation would bring settlers to the town's hinterland as well as flour mills, creameries, cheese factories, implement dealers, and warehouses within; it would improve the community's water supply and sanitation and make it a beautiful, populous city; and it would ensure that Lethbridge received its just portion of the phenomenal population growth of western Canada.

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[47] Ibid., Minute Books, December 12, 1898; January 27, 1899; By-Laws 107, 108.

[48] LN, December 1, 1898.

[49] Ibid., August 9, 1900.

As the pace of western development accelerated, so did Lethbridge's frantic rush to participate in the general affluence. Not only did it publish thousands of promotional pamphlets and hold out bonusses for prospective industries, but it greatly increased its services to the community in order to establish the image of a progressive town. With boundless optimism, Lethbridge expanded its civil service, planted hundreds of trees, replaced wooden sidewalks with those of concrete, improved its street lighting, built two new schools, and embarked on a water and sewer system whose initial stage, completed in 1905, cost over $200,000.[50] At the same time it granted the CPR and AR&I a twenty-year tax exemption on all railway properties as well as free water in exchange for making Lethbridge a railway divisional point with a large station.[51] In 1906 the ambitious councillors successfully sought a city charter and in 1911 the new city of 8,000 inhabitants flaunted its status by installing an electric street railway. The precipitate rush to compete with other western cities was clearly reflected in the town's budget which doubled from 1897 to 1904.[52] The reckless spending, encouraged by the boom mentality, did make the city a more attractive place to live, but it also led the community into financial difficulties which were not resolved until the establishment of managerial government in 1928.

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[50] See for examples City of Lethbridge, City Clerk's Office, Minute Books, January 21, March 18, 1901, September 21, 1903, January 15, 1906.

[51] *Ibid.*, By-Law 203.

[52] In 1897 the town spent $12,000 while in 1904 it disbursed $24,000; in those years the expenditures of the Committee of Works and Property rose from $764 to $4,102. These figures, however, hide the

Despite its valiant efforts, the city did not attract the industries it so desperately wanted. While Sick's Brewery, the Lethbridge Iron Works and Ellison's Milling and Elevator Company did settle in Lethbridge, its growth lagged behind the spectacular expansion of Calgary and Edmonton.[53] The introduction of hard spring wheat to the region did spark a land rush in 1910 which stimulated the city's construction industry, but by 1916 the gap had not closed appreciably.[54] Obviously Lethbridge, with its small geographical hinterland away from the CPR main line, had to be content with a minor commercial role in southern Alberta. Since it did not have the high quality coal required by heavy industries, it did not become the large metropolis so proudly predicted by its leaders. In fact, Lethbridge became a relatively small and pleasant marketing and distribution centre for southwestern Alberta communities like Cardston, Stirling, Magrath and Taber. The greatest

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escalation in the public debt which soared from a manageable $10,000 in 1899 to an unwieldy $164,000 four years later. Ibid., Statements of Receipts and Expenditures for the years 1897, 1899, 1904.

[53] Calgary's population mushroomed from 4,398 people in 1901 to 43,704 in 1911, a phenomenal 894 percent growth rate, while Lethbridge expanded from 2,072 to 8,050, in comparison a mere 288 percent rise. Canada, Fifth Census of Canada, 1911, I (Ottawa: King's Printer, 1912), p. 535.

[54] In 1916 Calgary had a population of 63,305 while Lethbridge had only 11,097 inhabitants. Canada, Census of the Prairie Provinces, 1946, I (Ottawa: King's Printer, 1947), pp. 397, 399. In 1971 Lethbridge's population was 41,217.

contribution which irrigation made to Lethbridge was that, by attracting settlers to the area, it provided the city with a greater measure of economic independence. Consequently, Lethbridge was able to survive the decline of the coal industry in the late 1950s.

CHAPTER TEN

CONCLUSION

Since the exploitation of western Canada's natural resources promised to make the Dominion a wealthy and influential nation, their development by entrepreneurs, such as Alexander Galt, was a vital part of Sir John A. Macdonald's national policies. A clear indication of their importance was the Prime Minister's reluctance to relinquish to westerners the management of territorial lands, waters, forests and minerals. Instead, his government established a close working relationship with the central Canadian business establishment which was often supported by British financiers. To encourage the utilization of the extensive western coal deposits, for example, Macdonald's administration established a policy of minimal restrictions, low fees and no royalties. In the mid-1880s, when the sources of capital dried up, favourable regulations alone were insufficient to stimulate the mining industry and thus Ottawa readily agreed to assist Galt's colliery with a railway land grant. This principle of land subsidies was immediately extended to colonization railways in the hope that they might quicken the sluggish flow of people into the Northwest. According to the cabinet the lands were plentiful, the grants required no cash outlay, and the railways would increase the value of adjacent Crown lands which were worthless without rail access; it could therefore, lavishly assist those who pledged to recruit settlers.

Even in his immigration program, Macdonald turned to a promoter and he appointed Galt to be Canada's first High Commissioner. Sir Alexander's first task was to work out a system of large-scale emigration to the Northwest, subsidized by the imperial government. While political and diplomatic factors hampered his activities, the government's refusal to endow the commissionership with sufficient funds and power made the office ineffective and Galt failed to create a large influx of settlers.

Although the parliamentary opposition did at times question the details of the government's development program, nevertheless it accepted the broad outlines. The Liberals sanctioned the close relationship between government and business, and Wilfrid Laurier, when he came to power, even expanded the government's role. In the specific case of Galt, the critics never denounced federal assistance to a private enterprise but charged that the Conservatives were supporting a coal monopoly in the Northwest at the expense of its inhabitants. Their attitude was in harmony with popular feelings, since Canadians looked to the territories for future prosperity and applauded the government's efforts.[1] As a result of this general consensus, one of the prime incentives for entrepreneurship — a favourable climate of opinion — was present to spawn new endeavours.

Galt took advantage of this expansionary drive and in several instances his demands for public assistance even altered government policy. His Dunmore to Lethbridge road was the first railway, apart from the CPR, to receive a free land grant, establishing a principle subsequently applied to the colonization railways. Galt's Montana line earned a second large subsidy, so that by 1890 he controlled over a million acres. By building two railways, which were necessary to transport his coal to market, he accumulated extensive holdings which transformed his enterprise from a mining to a land company. Since the properties were semi-arid, Galt worked out a system to accommodate large ranches by exchanging the alternate sections of the grant to townships, once again a regulation incorporated into the official land program. When the sale of grazing lands still proved difficult, he initiated an irrigation scheme which was eventually completed by his eldest son, Elliot. The latter persuaded the government to consolidate most of the company's holdings into one solid block and was awarded an additional half a million acres to compensate for irrigation expenses.

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[1] Robert Craig Brown, "The Doctrine of Usefulness: Natural Resource and National Park Policy in Canada, 1887-1814," in Canadian Parks in Perspective, ed. by J.G. Nelson (Montreal: Harvest House Ltd., 1969), pp. 46-49.

Unlike most of the small colonization companies, which built poor quality railways, held their lands for speculation or sold out to large corporations which exacted high prices from incoming settlers, Galt fulfilled the expectations of the federal government. He erected an efficient colliery complex, built two sound railways, pioneered irrigation in the Northwest, and started a program of Mormon settlement. The key to his success was the land subsidy which ensured substantial profits and thus attracted the capital to implement the various schemes. By agreeing to the demands for assistance, the government established a second element which fostered business activity. In Galt's case the nation paid a high price to speed the exploitation of coal and the settlement of a portion of the plains, but its requirements of people and investments were met.[2]

Despite the generous government concessions, Galt still encountered many serious difficulties which taxed to the utmost his strength and financial wizardry. The prevailing economic depression and the competition with the more attractive American West greatly hampered his efforts to draw investment to western Canada. The history of the Lethbridge works is a chronicle of personal frustrations and disappointments, ranging from floundering steamboats to demanding bankers. Galt's perseverance, ingenuity and influence ultimately overcame the obstacles, however; his ability to redefine goals and innovate alternatives expanded the colliery to a successful irrigation and settlement company. Throughout this period Galt was in his seventies and often sickly; yet he crossed the Atlantic several times a year to defend his proposals before the reluctant directors who were always unwilling to invest more in a dubious venture. To be sure, he used his prestigious position as Canada's former finance minister and High Commissioner to influence the London financiers and he brazenly employed his intimate friendship with the Conservative clique in Ottawa to win more liberal concessions than the colonization railways. Thus the Lethbridge scheme saved him from personal bankruptcy and established a substantial legacy for his heirs, but it cost him considerable anxiety and effort. Sheer tenacity and the ability to persuade time and again convinced the financiers to back the project which radically changed the ecology of southern Alberta.

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[2] The whole question of the necessity of the land grants, particularly that of the CPR, is discussed by Chester Martin, "Our 'Kingdom for a Horse': The Railway Land Grant System in Western Canada," Canadian Historical Association, Annual Report, 1934, pp. 73-79; and Lloyd J. Mercer, "Taxpayers or Investors: Who Paid For the Land-Grant Railroads?" Business History Review, XLVI (Autumn, 1972), pp. 279-294.

The transformation of the uninhabited, short-grass lands to a settled, agricultural region was not the only impact of Galt's endeavours in western Canada. His work also resulted in the establishment of Lethbridge, which for many years depended upon his payroll. At the same time, some company officials, like C.A. Magrath, who was the firm's land agent as well as the town's first mayor, took an active interest in community affairs. As a result a close bond was forged between the corporation and the local business establishment, a tie further strengthened by a mutual concern for growth and progress. Based on the smug security of a seemingly limitless supply of coal, the leaders of Lethbridge toiled to create a thriving commercial and industrial city. As Galt had extended the metropolitan links from London through Montreal to Lethbridge, so local entrepreneurs, like H. Bentley, utilized the company's railways to extend these economic ties to hamlets like Cardston, Macleod and Pincher Creek, creating what was in fact a miniature commercial empire. Although the local merchants did not realize their dreams of metropolitan grandeur, their ambitions were nevertheless real and typical of the passion for development prevalent in late nineteenth century Canada.

In their zealous attempts to advance Lethbridge as a potential metropolis, the town's promoters at times ignored, and even repressed, some of the undesirable aspects of life in the mining town. Since most of the settlement's leaders were central Canadians, they had an idealized concept of eastern cities and their value systems which they wished to establish on the plains; when their expectations were not fulfilled, they emphasized to prospective settlers only the pleasant features of the community and thus projected a distorted image. In reality, Lethbridge was one of the more unstable urban centres of western Canada, because the seasonal operation of the mines had bred a youthful, transient and male-dominated society which witnessed excessive drinking, frequent brawls and open prostitution. By-and-large the workers had no abiding interest in the community itself and hence did not join the merchants, professionals and officials in the establishment of social organizations and municipal government. While the distinction between the two groups is not always clear-cut, the aspirations of both parties and the social structures of this mining community warrants further study.

Since they were businessmen, Galt and the local, as well as national, entrepreneurs shared some basic aims and attitudes. Assuming that growth and prosperity were synonymous, these men believed that their endeavours were a vital catalyst in the implementation of Canada's national policies, helping to create a new and affluent society based on the wealth of western resources.[3] Whenever Galt applied for government assistance, he always emphasized that his enterprises were of benefit to all Canadians and, like many other promoters, he considered himself to be a steward of the natural resources which were valueless without development. He claimed, furthermore, that by exploiting these resources he created jobs. Labour itself, however, was no more to him than a part of the economic machinery; when consumer demand fell, workers were dismissed; when prices dropped, wages were cut.[4] Galt, without any regard for the social consequences, for example, introduced the Hungarians into an unstable society, merely to reduce production costs. Although he always stressed the contribution of his endeavours to the regional economy, his companies were based on the norms of economics. Thus he confused private and public business: while his tenure as High Commissioner is proof of a sincere desire for western development, his activities as entrepreneur were primarily profit oriented.

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[3] John William Michael Bliss, "A Living Profit: Studies in the Social History of Canadian Business, 1883-1911" (unpublished Ph.D. dissertation, University of Toronto, 1972), pp. 251-262.

While Galt developed a frontier region, he was, as A.H. Cole defines the term, a general entrepreneur who acted as an intermediary, soliciting funds, participating in boardroom discussions, managing the entire project, while risking mainly other people's money.[5] To some extend the pragmatic frontier ideals of individual action, the willingness to take risks and the freedom to make choices were very much a part of Galt's western enterprises, but he also worked within the complex framework of international finance and impersonal economic forces. Even though he was the prime decision maker, he only headed a phalanx of directors, bankers and investors, a company of men who helped him attain his objectives and thus were an important factor in the formation of western Canada. Before the farmers moved onto the plains in significant numbers, organizations like the CPR, colonization railways, wholesalers and retailers, as well as elevator companies, expended enormous amounts of money to make the cultivation of the prairies possible. While in many cases the entrepreneur made substantial profits to satisfy the impatient demands for improvements, he was an indispensable part of the western settlement process. In the specific case of Galt, his persistent personal efforts, aided by generous government subsidies, secured backing from prominent central Canadian and British financiers which made possible the development of the coal and soil resources of southern Alberta.

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[4] Ibid., p. 141.

[5] Arthur M. Cole, Business Enterprise in Its Social Setting (Cambridge, Massachusetts: Harvard University Press, 1959), pp. 148-149.

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APPENDICES

APPENDIX I

LIST OF PERSONS HOLDING SHARES IN THE NORTH WESTERN COAL AND NAVIGATION COMPANY, LIMITED ON THE SEVENTH DAY OF SEPTEMBER 1882

Name	Residence	Number of Shares
Smith, William Henry	London	50
Lethbridge, William	London	60
Ford, William	London	15
Rigby, John	London	10
Galt, Alexander Tilloch, Sir	London	50
Bompas, George Cox	London	10
Cutbill, Walter John	London	3
Hughes, Arthur Saunders	London	1
Round, Edmund	Temple	10
Burdett-Coutts, W.L.A.	Picadilly	50
Crabb, Edward	London	20
Awdry, Charles	London	3
Ellis, John Cough Williams	Northampton	5
Ramsay, William Miller	Montreal	15
Ross, James Gibb	Quebec	30
Blanchard, Sedley	Winnipeg	20
Brydges, Fred K. Henderson	Winnipeg	20
Galt, Elliot Torrance	Winnipeg	20
Balsillie, John	Winnipeg	10
Ogden Jr., Isaac G.	Winnipeg	5
Baker, Walter Reginald	Winnipeg	5
Mulock, William Redford	Winnipeg	5
Eden, Arthur Francis	Winnipeg	5
Galt, George Frederick	Winnipeg	5
Ross, Arthur Wellington	Winnipeg	20
Carman, Thomas Horsefield	Winnipeg	10
McGreery, Thomas	Quebec	10
Brydges, Charles John	Winnipeg	20
Bischoff, Thos. W.	London	1
Cutbill, Reginald	London	1
Colmer, Jos. G.	London	1
Total		490

Source: Great Britain, Public Record Office, PRO Box Reference No. 2974, Annual List of Members and Summary of Capital and Shares, N.W.C.&N.Co. Ltd., September 13, 1882.

APPENDIX II

LIST OF PERSONS HOLDING SHARES IN THE NORTH WESTERN COAL AND NAVIGATION COMPANY, LIMITED ON THE SIXTEENTH DAY OF FEBRUARY 1891

Name	Residence	Number of Shares
Bischoff, Thomas William	London	20
Cutbill, Walter John	London	160
Cutbill, Reginald E.	London	10
Smith, Rt. Hon. W.H.	London	740
Colmer, Joseph Grose	London	17
Bompas, George C.	London	100
Ford, William	London	500
Lethbridge, William	Devon	560
Rigby, John	London	200
Galt, Sir Alexander Tilloch	Montreal	770
Round, Edmund	London	450
Crabb, Edward	London	1,500
Burdett-Coutts, William	London	1,350
Awdry, Charles	London	100
Williams-Ellis, John Clough	London	440
Ramsay, William Miller	Montreal	80
Ross, Hon. James Gibb	Quebec	250
Currie, Bertram Wodenhouse	London	500
Cutbill, Arthur	London	100
Cutbill, Frederick Thomas	London	110
Redpath, Peter	London	500
Cameron, Sir Roderick William	New York	260
Brown, Alfred	London	200
Kirby, Charles Harrison	London	300
Estate of Baron Wolverton	–	400
Smith, Hon. Donald A.	Montreal	200
Willingdon, Baron	London	390
Guild, Samuel Eliot	Boston	50
Brown, Fanny, Mrs.	London	200
Crabb, Lucy , Miss	London	200
Aitken, Alex Muirhead	London	200
Crown, Verschoyle	London, Ontario	10
Blake, Hon. Samuel Hume	Toronto	100
Awdry, Herbert	London	10
Whitburn, Chas. Joseph Sofer	London	300
Patterson, Jacob Luard	London	420
Goldsmed, Sir Julian	London	200
Bourke, The Hon. Edward B.	London	200
Brunton, Spencer	London	300
Pattison, Wm. Henry Luard	London	20

...continued

Name	Residence	Number of Shares
Cutbill, Frederick Thomas	London	} 20
Cutbill, Edward	London	
Wood, William	London	60
Frewin, Alfred	London	20
Middleton, Elizabeth Kennedy	New Brunswick	50
Aclaud, Alfred Dyke	London	500
Cutbill, Martha Jane	Kent	30
Cutbill, Beatrice Mary	Kent	} 10
Cutbill, Henry Duppa	Kent	
Kingsford, Wm. Lethbridge	London	300
Fellows, James Israel	London	23
Chaplin, Ernest	London	300
Fenwick, Newton Noel	London	60
Fenwick, Charles Harry	Huntingdon	60
Fenwick, Richard Louis	London	60
Fenwick, Georgina Mary	Huntingdon	30
Gale, H.	London	37
Fenwick, Ernest Guy	Huntingdon	90
Guinness, Sir Edward Cecil	London	1,000
Total, Ordinary Shares		14,950
Lethbridge, William	Devonshire	3
Burdett-Coutts, William	London	3
Galt, Sir Alexander Tilloch	Montreal	3
Total, Deferred or Founders Shares		9

Source: Great Britain, Public Record Office, PRO Box Reference No. 2974, Annual List of Members and Summary of Capital and Shares, N.W.C.&N.Co. Ltd., February 16, 1891.

APPENDIX III

ALBERTA RAILWAY & IRRIGATION COMPANY

In the current year the market values of the securities of this Canadian enterprise have appreciably advanced, and at the present time the Five per Cent. Debenture stock, redeemable at par at any time at the option of the Company on three months' notice, is quoted at 98; while the Four per Cent. Prior Lien Debenture stock, also redeemable at part at any time at the Company's option on three months' notice, is quoted at 99; and the Capital stock, upon which no dividend has yet been paid, is at 94½. From an examination of the Company's affairs, we are convinced that the advance in values is justified, and that stockholders would be well advised not to be tempted to part with their holdings at present prices. The railway property consists of two lines of railway, one extending from Lethbridge, District of Alberta, to Coutts at the International boundary, a distance of about 65 miles, and the other is the St. Mary's branch, of 54 miles in length. The Company possesses 943,995 acres of unsold land, and owns mortgages upon sold land amounting to $758,624. Of the land unsold 170,000 acres are irrigable and 773,995 acres are non-irrigable, and are termed winter wheat lands. Also the Company owns a number of town lots in the towns of Lethbridge and of Raymond. The land is situated on a large plateau at the eastern base of the Rocky Mountains, 48 miles north of the boundary of the State of Montana and 250 miles north-east from Spokane, Washington. The climate is genial, and the district is known as "sunny Southern Alberta." Further, the Company possesses 10,640 acres of coal lands containing bituminous coal of good quality admirably suited to household purposes. And beyond its railway, its land, and its coal mines, the Company owns a valuable canal system embracing over 150 miles of canals and laterals, by means of which it supplies farmers settling upon its lands with the water they need for irrigation purposes. It is somewhat difficult to measure the total value of the Company's property; but there can be no doubt that the value of its assets is greatly in excess of its capital. In the past year the Company has sold non-irrigable land at \$4½ and \$5 per acre, and irrigable lands at from \$12 to \$30 per acre, the average coming out at \$9.25c. per acre. Were we to value the non-irrigable land as worth about \$5 per acre, and the irrigable land at \$12 per acre, its 170,000 acres of irrigable land would be worth \$2,040,000 and its 774,000 acres of non-irrigable land \$3,870,000, a total of \$5,910,000. But beyond this the Company possesses mortgages for \$758,000, making a total value of \$6,668,000. On the other hand, its capital consists of \$1,246,000 of Four per Cent. Debenture stock, \$3,250,000 of Five per Cent. Debenture stock, and \$3,250,000 of Common stock, beyond which it owes to the Dominion Government \$500,000, making a total liability on capital account of \$8,246,000, or only \$1,600,000 in excess of the sum representing the value of its lands when they are sold at the prices mentioned. Of course, were anything to occur to cause the value of land in Canada to fall, this calculation would have to be revised. Certainly, at present, the indications point rather to a further advance in the value of Canadian land than to depreciation. As far as the value of land is governed by the flow of immigration and the import of capital there is likely to be no decline. The Mother Country, indeed we may say Europe, is as much impressed with the value of land in the north-west of Canada as the farmers of America and of Eastern Canada, and incoming settlers are likely to find no difficulty in borrowing the money they need for stocking their farms and for the purchase of agricultural machinery. It must be recognised that the land will be only gradually sold, and that the profit realised from land sales will be spread over a long period of years. To obtain the present value of the sums likely to be received in payment of the land sold, allowance has to be made for accruing interest on capital until the purchase money is received. As far as this Company is concerned, however, it appears probable that its profits from land sales will be in the nature of a bonus, and that it will be able to pay interest and dividends upon its capital from the earnings of its railway, its coal mines and its canal. We should explain that the present Company was formed by the amalgamation of the Alberta Railway and Coal Company, the Canadian North-West Irrigation Company, the St. Mary's River Railway Company, and the Lethbridge Land Company, which took effect on October 1, 1904. The first report of the amalgamated Company recently issued is for the nine months ended June 30 last. In this period its net revenue was $193,471, and after meeting the London expenses and directors' fees, there is a surplus of $21,000 available for dividend upon the Common stock. Gauged by the profits for the four months to the end of October the Company is now earning a revenue of about $300,000 per annum, equal to the full interest upon the Four per Cent. and Five per Cent. Debentures, and to a surplus of about $72,000 for the Common stock, equal to a distribution of about 2½ per cent. These profits include very little income derived from the sale of land. In the nine months to the end of June the net profit from the sale of land was $100,426; but, inasmuch as this money will be received in instalments only $5,358 was reckoned as profit for the year, being the proper proportion of the actual cash received for lands free from the trust, the balance of $95,067 being placed to reserve to be dealt with as the outstanding instalments are received. This net income of $300,000 consists of about $10,000 from water rentals, $36,000 from interest on mortgages, $250,000 from the railway and coal properties, and only about $10,000 from profit on land sales.

The inflow of immigrants into the district will add to the Company's income in five ways: (1) It will add to its profits from the sale of land; (2) it will add to its income from the sales of water for irrigation purposes; (3) it will add to the interest it will receive from money left as mortgage upon the land sold; (4) it will increase the quantity of freight and number of passengers passing over its railway; and (5) it will appreciably add to its sales of coal. Thus, so long as immigrants continue to flow into the country, and are attracted to the Company's lands, the growth in the Company's revenue will be cumulative.

Some idea can be formed of the rate of development from the fact that in the past year the cultivated area tributary to the Company's railways has increased from about 30,000 acres to 70,000 acres, and that the area has produced in the present season about 1,000,000 bushels of wheat, as well as considerable quantities of oats and barley. Further, the district is well adapted to the cultivation of beets, and a factory known as the Knight Sugar Beet factory will this year treat 35,000 tons of sugar beets, the product of which will be about 3,500 tons of refined sugar. Thus it will be evident that the inflow of population into Canada is bringing, and is likely to continue to bring, increasing prosperity to the Company. The interesting speech made by Mr. Elliott T. Galt, the Chairman of the Company, at the meeting held this week, will be found among our meeting reports on page 826.

Source: The Statist, November 4, 1905.